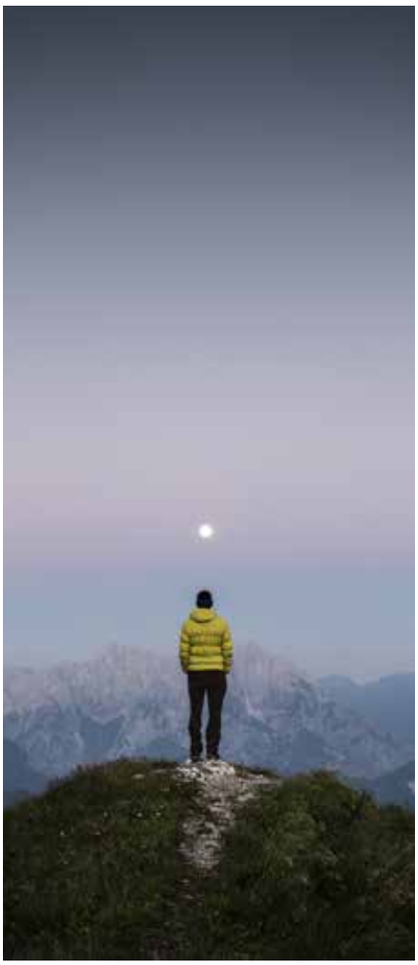
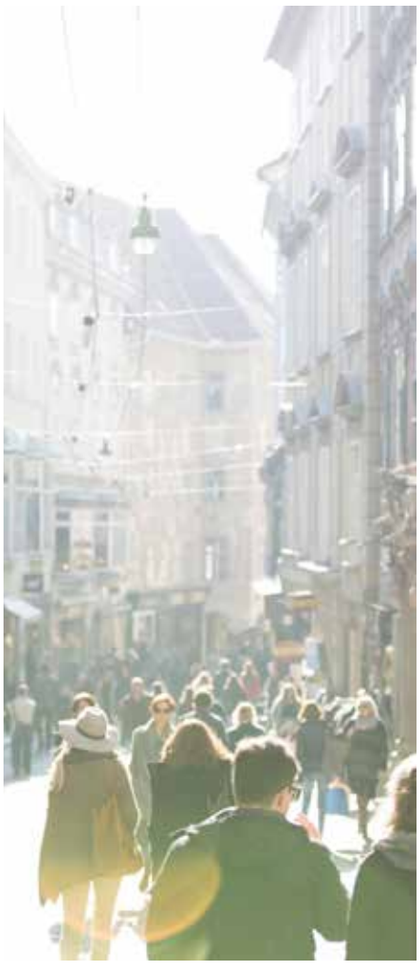
Raiffeisen-Landesbank Steiermark

2015 ANNUAL REPORT

REGIONAL – DIGITAL – EVERYWHERE





CONTENT

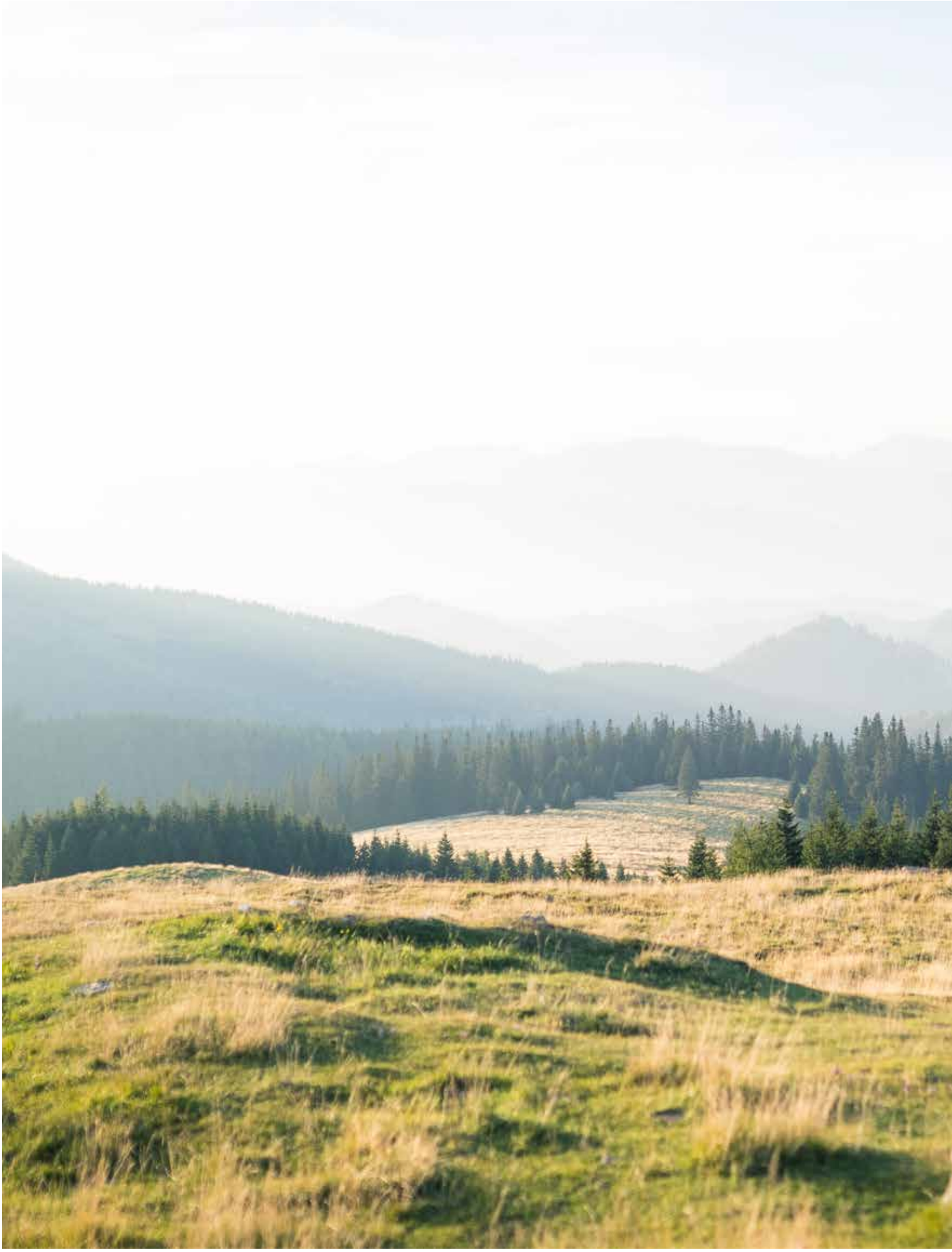
IMPORTANT FIGURES AT A GLANCE

Monetary values in TEUR	2015	2014	Change
Income statement			
Net interest income after impairment charge	149,608	35,638	>100
Net fee and commission income	38,868	36,890	5.4%
Profit/loss from hedge accounting	1,838	10,024	-81.7%
Net trading income	1,477	-16,845	>100%
Profit/loss from financial instruments – designated at fair value through profit or loss	50,123	56,380	-11.1%
Profit/loss from financial assets – available for sale	29,743	-17,102	>100%
General administrative expenses	-169,773	-185,377	-8.4%
Consolidated net profit/loss for the year before taxes	155,039	-7,795	>100%
Consolidated net profit/loss for the year	152,420	5,052	>100%
Consolidated comprehensive income	85,765	-81,549	>100%
Balance sheet			
Loans and receivables at amortised cost after impairment charge	8,138,443	8,076,337	0.8%
Trading assets	1,863,201	1,809,279	3.0%
Financial assets – designated at fair value through profit or loss	1,322,277	1,412,101	-6.4%
Financial assets – available for sale	1,542,117	1,768,951	-12.8%
Companies carried at equity	801,233	823,334	-2.7%
Financial liabilities at amortised cost	8,068,177	7,636,812	5.6%
Trading liabilities	845,450	527,047	60.4%
Financial liabilities – designated at fair value through profit or loss	3,707,124	4,649,694	-20.3%
Equity (including non-controlling interests)	1,239,285	1,156,123	7.2%
Total assets	14,046,293	14,213,701	-1.2%
Regulatory information*			
Total own funds	1,052,167	951,941	10.5%
Total risk	6,299,168	6,686,350	-5.8%
Total own capital funds requirement	503,933	534,908	-5.8%
Tier 1 ratio (in relation to all risks)	15.75%	13.22%	2.54 PP
Eligible Tier 1 capital (core capital)	992,201	883,662	12.3%
Own funds ratio (in relation to all risks)	16.70%	14.24%	2.46 PP

* 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. Determination of Raiffeisen-Landesbank Steiermark's consolidated regulatory capital requirements and capital is based on the CRR scope of consolidation of RLB-Stmk Verbund eGen.

Monetary values in TEUR	2015	2014 1)	Change
Ratios			
Return on equity	12.9%	-	-
Cost/income ratio	73.0%	115.1%	-42.2 PP
NPL ratio	8.5%	8.7%	-0.2 PP
Ratios			
Average number of employees	963	974	-11
Banking outlets	21	23	-2

Rating	Short-term	Long-term	Outlook	Issuer rating	Change / Confirmation
Moody's	Baa2	P-2	Negative	Baa2	5.2.2016



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2015 CONSOLIDATED MANAGEMENT REPORT

These consolidated financial statements have been prepared in accordance with internationally recognised accounting principles and comply with § 245a of the Austrian Business Enterprise Code (UGB) and § 59a of the Austrian Banking Act (BWG). The consolidated management report has been prepared in accordance with § 267 UGB.

I. REPORT ON BUSINESS PERFORMANCE AND ECONOMIC CONDITIONS

I.1. Economic environment and business performance

The year 2015 was characterised by modest global growth, coupled with falling crude oil and commodity prices. The slowdown in global economic growth from 3.4% in 2014 to 3.1% in 2015 (source: IMF) also reflects a structural change: while industrialised nations experienced stronger qualitative growth, the pace of China's growth slowed more than anticipated. At the same time, many emerging markets were adversely affected by their dependency on crude oil or – where Brazil and Russia are concerned, for instance – their own country-specific problems.

In the euro area, the path to recovery became generally clearer in 2015: GDP growth improved from 0.9% in 2014 to 1.5%, and from a geographic perspective was more broadly defined. Internal demand benefited from the ECB's relaxation of monetary policy, the devaluation of the euro, and the sharp plunge in the price of crude oil. The continued downtrend in unemployment (from 11.5% to 10.5%) had a positive effect on consumer spending, although investments still did not reach satisfactory levels. Despite better economic growth, inflation remained low, as evidenced by the consumer price index, which in December stood near just 0.2%, only slightly above the previous year's level. Downward pressure on the rate of inflation increased again at the end of the year due to weak oil prices and a general cooling of the global economy. To combat potential deflation risks, the ECB ventured into unconventional territory and began purchasing public sector bonds in March 2015. Subsequently, as the portfolio of purchasable bonds gradually expanded, the decision was made to extend the QE programme to March 2017. The eventual reduction in the deposit rate to the increasingly negative level of -0.30% stimulated a departure from "parking" excess liquidity and allowing it instead to flow into real investments. Additionally, political headlines – whether from Greece, the refugee crisis, or political shocks in elections and the strengthening of populist protest parties – had a negative impact on the fragile state of recovery of the European economy.

The significant differences affecting the national economies throughout the euro area are evident in the Austrian example, where real GDP grew by only 0.7% in 2015 (source: OeNB) while the unemployment rate (on an EU harmonised basis) increased to 5.8% (source: OeNB). Inflation declined by 0.5 percentage points over the course of the year, but remained almost 1% above the average for the euro area. Yet the weak growth trend in investments proved the most disappointing aspect. Although infrastructure investments experienced a positive uptick, they were insufficient to compensate for the lacklustre performance of the construction sector as a whole.

At 3.4%, growth in the CEE emerging markets (source: IMF) significantly outperformed that of the euro area, an outcome based primarily on domestic demand. General factors, such as low interest rates, low inflation and positive labour market developments, coupled with EU subsidies for infrastructure projects, have yielded positive effects for these economies. The increasingly growth-oriented economic policy measures were very encouraging as well.

Among the large industrialised nations, the United States showed the most robust performance, with year-on-year GDP growth remaining unchanged at 2.4%. The key driver behind this trend was consumer spending. Other contributing factors included the ongoing upturn in the labour market (in particular, the reduction in unemployment from 5.6% to 5.0%) and the improving financial situation of private households, which benefited from, among other factors, the recovery in the real estate market. Conversely, the renewed strength of the US dollar, coupled with diminished investments in the energy sector, restricted growth rates. The US Federal Reserve (Fed) delayed the start of its long anticipated rate hike in response to the lack of upward wage and price pressure, and possibly because of the turbulent late summer months. In December 2015, the Fed finally decided to raise the federal funds target rate by 25 basis points.

In Japan, prospects became gloomier throughout 2015. Contributing factors included the slowly diminishing effects of the economic stimulus package launched in 2013 ("Abenomics") and the simultaneous downturn in its most important export markets – China and South East Asia. Real wages achieved very moderate growth despite the continued downturn in unemployment to 3.3%. Against this backdrop, private consumption remained low and inflation was (at 0.2% in December) a long way from the 2.0% target set by the Bank of Japan. With the September 2015 announcement of a fiscal plan aimed at promoting the "Dynamic Engagement of All Citizens", Japan's Abenomics entered a new phase.

The economic picture in emerging nations is as remarkably varied as it is (in some cases) challenging. In China, some slowdown in growth was expected due to the shift from a production-based to a service-based economy. However, the deceleration of its economic growth rate to 6.9% in 2015 (compared with 7.35% the previous year) sparked concerns about the outlook of the world's second-largest economy. Not even government intervention, such as financial market reforms, the easing of monetary policy, or a slight depreciation of the renminbi could calm the turmoil among investors and in the market. Overall, the spillover effects of China's slowdown were felt most severely by net exporters of oil and emerging economies with close trade links to China. Economic growth in Russia and Brazil also shrunk to around 3.75% due to particular geopolitical and country-specific circumstances (source: IMF). Nevertheless, some bright spots were apparent in the otherwise gloomy global economy. For instance, GDP growth in India hit 7.3% in 2015 and is expected to continue at a healthy pace.

In the wake of the ECB's battle against inflation, the interest rate curve posted a downturn in 2015. Money market rates fell below zero, and several European government bonds entered into negative-yield territory. With the Fed being the only central bank to risk an interest rate hike, the US dollar gained stronger footing against most of its peers and appreciated 10% against the euro – and even more against emerging market currencies. The 36% plunge in oil prices benefited the global economy as a whole, although the energy sector came under increasing pressure due to the expected negative effects of lower oil prices on investment and future capacity growth. Reaction in the global stock markets was mixed: the UK recorded a moderate decline (-5%), the United States remained unchanged, Europe saw a reasonable uptick (+5%), and Japan posted solid gains (+9%). Even more important, however, was the fact that the financial markets had to confront several periods of increased volatility.

The European Bank Recovery and Resolution Directive (BRRD), which establishes a common framework for the recovery and resolution of banks in all EU member states, entered into force on 1 January 2015. Austria implemented the BRRD by adopting the Federal Act on the Recovery and Resolution of Banks (BaSAG), thereby creating a national legal framework for dealing with banks that are failing or are likely to do so. The BaSAG is intended to ensure that stricken banks can leave the market in an orderly manner without causing substantial negative repercussions to financial stability. Additionally, it helps protect depositors and other customers, and it minimises taxpayer burden.

Specifically, the BaSAG contains provisions that

- prescribe the production of recovery plans by banks and the production of resolution plans by the resolution authorities, including powers to remove obstacles to resolution (prevention);
- enable supervisory authorities to intervene at an early stage and vest them with additional, related powers to do so (early intervention); and
- form the basis for the establishment of a national resolution authority and entrust that authority with the necessary powers and tools (resolution).

The establishment of the resolution authority, the creation of a resolution financing mechanism, and the introduction of the bail-in tool (to ensure that creditors bear part of the resolution costs) are the key elements of the law, which became effective on 1 January 2015.

Pursuant to § 126 of the Federal Act on the Recovery and Resolution of Banks (BaSAG), the Austrian Financial Market Authority (FMA), in its capacity as national resolution authority, was required to levy contributions to the national resolution fund for 2015. The contribution amount, to be paid by all Austrian banks, consists of a fixed portion (except for small banks, which are subject to a special lump sum regime) determined on the basis of the respective bank's covered deposits pursuant to the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), and a risk adjustment to capture the risk posed by each individual bank.

Application of the new BaSAG rules to HETA ASSET RESOLUTION AG ("HETA") constituted the first resolution in Europe that took place according to the new EU legal framework.

Beyond the overall economic conditions, which increase both cost and income pressure on banks, the banking sector also faces regulatory challenges and changes in customer behaviour. The key factors driving this transformation in customer demand patterns are digitalisation, the influx of people to areas of high population density, and new competitors.

Considering this environment, the resource and competency pooling implemented within the RLB Group during the last two years has yielded many positive results. As part of this quality improvement programme, Raiffeisen-Landesbank Steiermark primarily provides services to corporate and commercial customers,

while the focus of Landes-Hypothekenbank Steiermark centres on the areas of institutional banking, residential building schemes, project financing, as well as physicians and the liberal professions. The retail banking segment is the purview of both banks, with the exception of private banking, which is conducted via PREMIUM.PrivateBanking, a joint brand that belongs to both Raiffeisen-Landesbank and Landes-Hypothekenbank Steiermark. This consistent segmentation of business areas has generated efficiency benefits for both banks.

The volume of loans and initial deposits also developed at a steady pace. At RLB Steiermark, initial deposits across all customer segments totalled EUR 2.025 billion, while the lending volume stood at EUR 3.103 billion. At HYPO Steiermark, initial deposits reached EUR 1.606 billion, and the lending volume came to EUR 2.767 billion. Overall, initial deposits posted a slight increase, while the overall volume of loans experienced a minor decrease. The slight fluctuations in the generally high level of loans and initial deposits can be attributed to the general economic environment on the one hand, and to the banks' prudent lending policy on the other.

To meet the ever-increasing challenges in a competitive banking environment, a productivity and efficiency campaign was launched in 2015. In the process of this initiative, our key performance indicators were compared with benchmarks used primarily in the banking sector. The resulting findings will be implemented in the 2016 financial year and are expected to significantly bolster RLB Steiermark's competitive edge.

RLB Steiermark is also pursuing the objective of enhancing its competitiveness in its role as part of the Raiffeisen Banking Group in Styria. As a central institute for the Styrian Raiffeisen banks, RLB Steiermark performs the services mandated by the Austrian Banking Act (BWG). However, RLB Steiermark's range of services extends far beyond areas that are subject to statutory regulation. Among other things, they include data centre services, processing payment transactions, product development, services in the areas of building savings schemes, insurance plans and securities, as well as support and advice in matters relating to business management.

In its role as part of the Raiffeisen organisation, RLB Steiermark's strategic focus in 2015 was on providing support for the planning, management and control/monitoring of the key parameters that measure capital, risk, cost, and income.

In the retail business segment, earnings power was strengthened by enhancing the profitability of the core business, mobilising underused income potential, instituting income and cost optimisation measures, and making improvements in the quality of assets. Potentially untapped resources for enhancing operational efficiency through streamlining structures, optimising branch-offered services and advancing interbank cooperation (such as by pooling processing resources) were analysed in conjunction with the independent Raiffeisen banks.

To meet current and future regulatory requirements (specifically those laid out under Basel III), ongoing monitoring activities and measures were implemented on the basis of RLB Steiermark's previously established equity and risk sharing schemes. The equity sharing scheme comprises a set of incentive mechanisms aimed at managing and increasing core (Tier 1) capital in a targeted manner. These measures have yielded decidedly positive results, thereby contributing to the sustained retention of profits, and by extension, the independence and autonomy of the Raiffeisen Banking Group in Styria and its members. Concurrently, the security of each and every customer is also improved as a result. Along with the institutional protection scheme (IPS), a mutual liability arrangement within the Raiffeisen sector, sophisticated early warning systems and mechanisms are being employed to protect association members (and by extension, their customers) from financial risks. In addition, the Raiffeisen Banking Group in Styria has specified new "ground rules" within its joint liability scheme, thus enhancing the Group's ability to identify any potential risks as early as possible and minimise them to the greatest extent possible.

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

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

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

Against the backdrop of an unremittingly challenging economic and financial environment, the RLB Steiermark Group achieved a consolidated net profit/loss (after taxes) of EUR 152.4 million in the 2015 financial year. Despite the historically low interest rates, it was possible to achieve a significant year-on-year increase in net interest income. Profit/loss from investments in companies carried at equity also demonstrated strong improvement, yet remained slightly negative. In addition, as in the previous year, markedly lower provisions for impairment losses and remeasurement gains from financial instruments – designated at fair value through profit or loss had a very positive impact on consolidated net profit/loss. Profit/loss from financial assets – available for sale experienced an equally positive development, which is mainly attributable to lower impairment charges and amounts transferred from OCI in connection with the sale of equity investments.

Through its investment in the fully consolidated subsidiary Landes-Hypothekenbank Steiermark AG, the RLB Steiermark Group is also affected by the "HETA" moratorium (discussed in more detail in the following section).

"HETA" moratorium – Pfandbriefstelle (collective bond issuing body)

The Austrian Financial Market Authority (FMA), in its capacity as resolution authority pursuant to § 3 (1) of the Austrian Federal Act on the Recovery and Resolution of Banks (BaSAG), decided on 1 March 2015 that since the preconditions for resolution pursuant to § 49 BaSAG had been met, it would immediately suspend all payments on debt instruments issued by HETA ASSET RESOLUTION AG ("HETA") and on its obligations until 31 May 2016 ("HETA moratorium"). Debt instruments issued by Pfandbriefbank (Österreich) AG amounting to EUR 1.2 billion are affected by this moratorium.

In April 2015, an "agreement on the performance and settlement of the joint and several liability pursuant to § 2 of the Austrian Act on the Collective Issuing Body of Austria's State Mortgage Bonds (Pfandbriefstelle Act), together with the settlement of compensation claims in the internal relationship" was concluded between the collective issuing body (Pfandbriefstelle) of Austria's state mortgage banks (Landes-Hypothekenbanken), Pfandbriefbank (Österreich) AG, the individual member institutions, and the state of Carinthia. Based on this agreement, Landes-Hypothekenbank Steiermark AG is obliged, taking into consideration the per capita share allotted to its guarantors, to make available financial means up to EUR 155.0 million to Pfandbriefbank (Österreich) AG for the settlement of outstanding liabilities arising from the HETA bond issues. In return, Pfandbriefbank (Österreich) AG relinquishes all current and future receivables, securities and other rights arising from or in connection with a specific HETA financing instrument to the joint and several debtors making payments. As at 31.12.2015, financial funds totalling EUR 84.0 million were called upon by Pfandbriefbank (Österreich) AG, of which EUR 42.0 million are covered from its own per capita share.

To account for the risk that Pfandbriefstelle will not be able to fully satisfy its payment obligations with respect to the relevant debt instruments and that the creditors of Pfandbriefstelle or Pfandbriefstelle itself could assert claims against Landes-Hypothekenbank Steiermark AG, the other state mortgage banks and the respective guarantors, specific impairment allowances and provisions have been established. In calculating the risk provision, the inventory of assets derived from the published information relating to creditors and investors of HETA, as well as any possible payments from the default guarantee fund of the state of Carinthia and the extent of the possible liability were considered at one-sixteenth each.

Based on the receivables due to HETA as at 31 December 2015 and the unused lines of credit due to Pfandbriefbank (Österreich) AG (when utilised, these would constitute loans and receivables due to HETA) from its own per capita share, the risk provision was increased by TEUR 13,024 and stood at a total of TEUR 28,524 (2014: TEUR 15,500) as at 31 December 2015. Of that amount, specific impairment allowances for loans and receivables account for TEUR 15,449 and provisions for credit risks for TEUR 13,075.

On 21 January 2016, the Carinthian Settlement Payment Fund (Kärntner Ausgleichszahlungs-Fonds, KAF) made an offer pursuant to § 2a of the Austrian Financial Market Stability Act (FinStaG) regarding the purchase of debt instruments issued by HETA ASSET RESOLUTION AG ("HETA"). Specifically, creditors holding senior HETA bonds were offered a 75% buyback quota. The offer period ended on 11 March 2016, and the result of the tender process was announced on 16 March 2016: the two-thirds majority of creditors required for the buyback to take effect could not be secured.

The FMA debt haircut on HETA's bonds and liabilities is scheduled to be imposed before the moratorium expires at the end of May 2016. Until then, all principal and interest payments on HETA bonds

have been suspended. The percentage of the haircut had not been determined at the time this report was compiled.

In light of the foregoing factors, the level of the anticipated outflow of funds and the recoverability of potential recourse claims against HETA and the state of Carinthia are subject to uncertainties.

Income statement

In the 2015 financial year, **interest and similar income** decreased by EUR 10.3 million to EUR 347.3 million. The decline in interest income was primarily due to a decrease in interest income from loans and advances to customers in the amount of EUR 7.8 million, and a EUR -7.6 million drop in interest income from fixed-income securities. Interest income from derivative financial instruments (non-trading) developed in the opposite direction and posted an increase of EUR 1.9 million. For the first time in the 2015 financial year, negative interest on liability items (totalling EUR 2.9 million) is shown as a separate line item in interest income. Current income from variable-yield securities and investments shrunk by EUR 0.9 million.

With effect from the 2015 financial year, certain derivative instruments ("economic hedges") were allocated to the underlying transactions covered by these instruments. Accordingly, the corresponding impact on earnings is reported under the line items "Interest and similar income" (net interest income) and "Profit/loss from financial instruments – designated at fair value through profit or loss" (remeasurement gains/losses). For that reason, the prior-year figures have been adjusted accordingly, and the interest income of TEUR 9,126 contained in "Net trading income" has been reclassified to "Interest and similar income". The remeasurement losses of TEUR -10,173 contained in "Net trading income" have been reclassified to "Profit/loss from financial instruments – designated at fair value through profit or loss". Due to this reclassification, net trading income for 2014 increased by TEUR 1,047.

The profit/loss from investments in companies carried at equity came to EUR -1.0 million as at 31.12.2015. This amount includes the proportionate earnings for 2015 (EUR 36.3 million) and the prorated restatement amount for the 2014 financial year (EUR -11.6 million) triggered by an audit of the Austrian Financial Reporting Enforcement Panel (AFREP) attributable to the equity investment in Raiffeisen Zentralbank Österreich AG (RZB). In addition, impairment charges totalling EUR 25.7 million were recognised in the 2015 financial year.

Interest and similar expenses amounted to EUR 207.2 million in the year under review, compared to EUR 239.7 million in the previous year. This corresponds to a year-on-year decline of EUR 32.5 million or 13.6%, which is primarily attributable to a reduction in interest expenses from liabilities evidenced by certificates in the amount of EUR 25.6 million and a EUR 12.0 million decline in liabilities to other banks. Interest expenses from liabilities to customers developed in the opposite direction and increased by EUR 3.9 million. Similar to "Interest and similar income", negative interest on asset items (totalling EUR 0.9 million) is shown as a separate item in interest expenses.

For 2015, this results in **net interest income** of EUR 139.1 million, an amount that is EUR 70.7 million higher than the previous year's figure. Considering interest income and interest expenses as shown in net trading income, net interest income amounts to EUR 135.8 million (2014: EUR 78.4 million). Not including current income from securities and equity interests as recognised in net interest income and income from companies carried at equity, the net interest income for 2015 came to EUR 128.7 million compared to EUR 119.0 million in the previous year.

Risk provisions (impairment charges) decreased significantly in 2015. The resultant net effect on profit or loss after direct write-offs and recoveries of loans and receivables previously written off is EUR 10.5 million (2014: EUR -32.8 million). Despite the risk provision for HETA ASSET RESOLUTION AG in the amount of EUR 13.0 million, provisions for specific impairment allowances (including direct write-offs and recoveries of loans and receivables previously written off) experienced a net release of EUR 8.2 million (2014: net allocation of EUR 20.1 million) in the year under review. Portfolio-based impairment allowances were reversed through profit or loss at EUR 8.6 million (2014: EUR 3.5 million). The risk provisions for off-balance sheet transactions also decreased in comparison with the year-end figure for 2014 and were recognised as expenses at a net amount totalling EUR 6.3 million (2014: EUR 16.1 million) in the year under review.

Driven primarily by higher income from securities operations, **net fee and commission income** increased to EUR 38.9 million at year-end 2015 (2014: EUR 36.9 million).

The effects of fair value hedge accounting (as defined by IAS 39) are shown in the line item "Profit/loss from hedge accounting". By reporting fair value hedges on the balance sheet in this manner, one-sided effects associated with economically hedged risks can be avoided. The **net result from the valuation of hedged items and hedging instruments** shown in this item amounts to EUR 1.8 million as at 31.12.2015 (2014: EUR 10.0 million).

At EUR 1.5 million, **net trading income** is EUR 18.3 million above the comparable figure for the previous year. Of that, an amount of EUR +4.9 million is attributable to remeasurement gains, while net interest income from the transactions shown under this item accounts for EUR -3.4 million.

Profit/loss from financial instruments – designated at fair value through profit or loss developed positively, due partly to gains from the sale of financial instruments included in that item. For the reporting period, these total EUR 34.0 million (2014:

EUR 2.5 million) and are primarily attributable to one-off effects from the early redemption of securities. Furthermore, remeasurement losses from securities measured at fair value and from derivative financial instruments were more than offset by remeasurement gains from designated liabilities, which resulted in net remeasurement gains of EUR 16.2 million at the 2015 balance sheet date (2014: EUR 53.8 million). Of note, the current liquidity situation and the associated increase in credit spreads had a positive impact on the gains/losses from the remeasurement of the bank's own liabilities.

The improvement in **profit/loss from financial assets – available for sale** from EUR -17.1 million the previous year to EUR 29.7 million in the 2015 financial year primarily results from an increase in gains from the sale of equity instruments by EUR 31.5 million. Among other components, this item includes the gains from two sector investments which were sold in 2015. The impairment charges due to the depreciation of ownership interests, which are also shown under this item, declined significantly and totalled EUR -2.9 million in the year under review (2014: EUR -18.1 million).

General administrative expenses declined by EUR 15.6 million (8.4%) to EUR 169.8 million in the year under review. For the most part, that decrease resulted from the EUR 14.8 million (12.8%) drop in non-staff costs, which in turn was caused by changes to the treatment of cost transfers within the sector. Personnel expenses showed a year-on-year increase of EUR 1.0 million to EUR 89.4 million, while depreciation of property and equipment and amortisation of intangible assets decreased by EUR 1.9 million to EUR 17.3 million.

Other operating profit/loss decreased from EUR 72.6 million to EUR 53.2 million (-26.8%) compared to the previous reporting period. Among the key drivers behind this decline are the changes to the treatment of cost transfers (discussed in more detail under administrative expenses). Other contributing factors include the mandatory payments to the national resolution fund established in 2015 and to the deposit guarantee scheme, which totalled EUR 5.1 million in the year under review. 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 government-mandated protection schemes as of 2015. Other operating profit/loss also includes the stability fee imposed on financial institutions as a means to ensure fiscal sustainability. The Austrian banking levy totalled EUR 13.5 million in the year under review (2014: EUR 14.0 million).

To summarise the combined effects of the foregoing, the RLB Steiermark Group was able to significantly improve its result for the 2015 financial year and posted a **consolidated net profit/loss before taxes** of EUR 155.0 million (2014: EUR -7.8 million).

The item "**Income taxes**" totalling EUR -2.6 million (2014: EUR 12.8 million) primarily comprises current tax expenses in the amount of EUR 2.9 million (2014: tax assets of EUR +0.5 million). The EUR 12.4 million of deferred income tax assets shown under this item in 2014 decreased to EUR 0.3 million in the year under review.

Of the **Group's consolidated profit/loss** for the year in the amount of EUR 152.4 million, EUR 151.5 million are attributable to the shareholders of RLB Steiermark and EUR 0.9 million to non-controlling interests. The Group's consolidated annual net profit/loss for the previous period totalled EUR 5.1 million, of which EUR 5.2 million were attributable to the shareholders of RLB Steiermark and EUR 0.1 million to non-controlling interests.

The Group's comprehensive income totals EUR 85.8 million (2014: EUR -81.5 million) and was affected significantly by its interest in the other comprehensive income of companies carried at equity of EUR -16.8 million (2014: EUR -112.5 million) and by changes in the valuation of financial assets available for sale (AFS) including deferred taxes in the amount of EUR -51.4 million (2014: EUR 33.7 million). The change in the AFS reserve is primarily attributable to the transfer (recycling) of amounts to the income statement in connection with the sale of equity investments. In addition to the consolidated profit/loss for the year, the Group's comprehensive income also includes actuarial gains and losses from defined benefit plans (including deferred taxes) of EUR 1.6 million (2014: EUR -7.9 million) and the foreign currency reserve totalling TEUR -4 (2014: TEUR 7). Of that amount, a net result of EUR 86.3 million is attributable to the shareholders of RLB Steiermark, and EUR -0.5 million to the non-controlling interests.

Balance sheet

The **Group's total assets** came to EUR 14,046.3 million as at 31 December 2015. Compared to the end of 2014, this represents a decrease of EUR 167.4 million or -1.2%.

Loans and receivables at amortised cost declined by EUR 18.5 million or -0.2% over the 2014 year-end figure and totalled EUR 8,452.8 million as at 31.12.2015. Of that amount, loans and advances to other banks (after impairment charges) increased by EUR 63.8 million to EUR 2,848.7 million. Loans and advances to customers (after impairment charges), which are also shown in this item, decreased by EUR 1.7 million and remained mostly unchanged from the level at year-end 2014.

Charges for impairment allowances on loans and advances netted against the assets side were reported in the balance sheet at a

total of EUR -314.4 million (2014: EUR -395.0 million), of which a share of EUR -300.0 million is attributable to specific impairment allowances and EUR -14.4 million to portfolio-based impairment allowances. After deduction of impairment allowances, loans and receivables at amortised cost totalled EUR 8,138.4 million at year-end 2015 (2014: EUR 8,076.3 million).

Trading assets stood at EUR 1,863.2 million on the reporting date, which marks an increase of EUR 53.9 million over the prior-year figure. In addition to time deposits in the trading portfolio in the sum of EUR 987.3 million (2014: EUR 746.4 million) and securities in the amount of EUR 95.0 million (2014: EUR 117.2 million), trading assets also include the positive fair values (dirty price) of all derivative financial instruments at a total of EUR 780.9 million (2014: EUR 945.8 million). That item includes the positive fair values of derivatives held for trading, as well as hedging instruments qualified for hedge accounting (as defined by IAS 39) and the positive fair values of derivatives reported under the fair value option to avoid accounting mismatches ("economic hedges").

Financial assets – designated at fair value through profit or loss decreased by -6.4% to EUR 1,322.3 million at year-end 2015. This development primarily affected the areas of bonds and other fixed-income securities.

Financial assets – available for sale shrunk by EUR 226.8 million or -12.8% year-on-year, to EUR 1,542.1 million at 31.12.2015. Here, too, bonds and other fixed-income securities experienced the greatest decline totalling EUR -171.2 million. In addition, the equity instruments also shown under this item decreased by EUR 42.7 million, mainly due to the sale of two sector investments in the year under review as described under the corresponding item of the income statement "Profit/loss from financial assets – available for sale".

The balance sheet value of **companies carried at equity** shrunk by EUR 22.1 million compared to the previous year and came to a total of EUR 801.2 million as at 31.12.2015, which is exclusively attributable to the investment in RZB. This decline is mostly due to the impairment charges already discussed under the corresponding item in the income statement.

Intangible assets and property and equipment came to a total of EUR 159.6 million (2014: EUR 172.1 million) as at 31.12.2015. This represents a reduction of EUR 12.5 million or -7.3%.

At EUR 16.9 million, **current and deferred income tax assets** experienced a decrease of EUR 3.7 million compared to the previous year.

Other assets increased by EUR 65.5 million to EUR 155.3 million as at 31.12.2015. This item primarily comprises receivables resulting from supplies of goods and services, tax assets and accruals, and deferred items. The increase over the previous year is largely attributable to the higher level of payment orders being processed at the reporting date.

On the liabilities side, **liabilities at amortised cost** totalled EUR 8,068.2 million on the reporting date after EUR 7,636.8 million in 2014, which equates to an increase of 5.6%. This change is primarily due to an increase in liabilities evidenced by certificates of EUR 111.1 million, growth in liabilities to customers of EUR 128.1 million, and an increase in liabilities to other banks of EUR 184.1 million. Of the liabilities evidenced by certificates, the retail/private banking segment accounts for EUR 749.7 million, while an amount of EUR 409.3 million relates to the Styrian Raiffeisen banks. Covered bonds totalling EUR 303.1 million were placed on the capital market.

As at 31.12.2015, **trading liabilities** totalled EUR 845.5 million, which was EUR 318.4 million above the previous year's figure. In addition to liabilities to other banks in the amount of EUR 579.1 million (2014: EUR 235.9 million), trading liabilities also include the negative fair values (dirty price) of all derivative financial instruments at a total of EUR 266.3 million (2014: EUR 291.2 million). That item includes the negative fair values of derivatives held for trading, as well as hedging instruments qualified for hedge accounting (as defined by IAS 39) and the negative fair values of derivatives reported under the fair value option to avoid accounting mismatches ("economic hedges").

Financial liabilities – designated at fair value through profit or loss amounted to EUR 3,707.1 million as at 31.12.2015 (2014: EUR 4,649.7 million). This corresponds to a decrease of EUR 942.6 million or 20.3%. The most significant factor in that development was a EUR 782.8 million decline in liabilities evidenced by certificates, which was mostly driven by the early redemption of issues denominated in foreign currencies. Of the liabilities evidenced by certificates, the retail/private banking segment accounts for EUR 232.7 million, while an amount of EUR 117.7 million relates to the Styrian Raiffeisen banks. Covered bonds totalling EUR 736.9 million were placed on the capital market.

Provisions came to a balance sheet value of EUR 123.3 million at the reporting date and thus were up EUR 3.4 million or 2.8% compared to the previous year's figure. This development stems from a decrease in long-term employee provisions by EUR 2.3 million and from a year-on-year increase of EUR 5.7 million in other provisions. Other provisions primarily include provisions for off-balance sheet transactions (recourse claims, guarantees and credit risks), of which an amount of EUR 13.1 million (2014: EUR 15.5 million) relates to the provision created to cover the default risk for debt instruments issued by HETA via Pfandbriefbank Österreich (PBÖ) (also see note 24 "Provisions" in the consolidated financial statements).

Current income tax liabilities and deferred income tax liabilities increased by EUR 4.5 million in the year under review and totalled EUR 13.7 million as at 31.12.2015.

At EUR 49.3 million, **other liabilities** declined compared to the previous year (EUR 114.9 million). This development is largely attributable to the change in the level of payment orders being processed at the reporting date and is mentioned as well under "Other assets".

Compared to the prior-year value, **equity** increased by EUR 83.2 million to EUR 1,239.3 million as at 31.12.2015. Of that amount, a share of EUR 1,183.4 million is attributable to equity holders of the parent and EUR 55.9 million to non-controlling interests. By year-end 2015, all of the 210,500 participation certificates from the 2001 issue had been converted into 495,670 shares. Accordingly, the subscribed (share) capital of RLB Steiermark totalled TEUR 142,721 as at 31.12.2015 (2014: TEUR 141,419) and consisted of 3,113,507 (2014: 3,026,542) registered no-par shares (ordinary shares). As at 31.12.2014, in addition to the TEUR 138,735 share capital of RLB Steiermark, the subscribed capital included the 36,932 registered participation certificates from the 2001 issue of non-voting, non-ownership capital which were not converted into shares at a nominal amount of TEUR 2,684. These were converted into ordinary shares in July 2015.

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

I.3. Report on branches and offices

As at 31 December 2015, Raiffeisen-Landesbank Steiermark AG operated ten bank branches, nine of which are located in Graz and one in Frohnleiten. This means that in 2015, RLB Steiermark operated one fewer branch than during the previous year. The reason for this cut is the optimisation of RLB Steiermark AG's branch structure on the basis of a three-point framework of measures aimed at responding to demographic changes and customer expectations. As part of this optimisation process, the Moserhofgasse branch moved to the newly established Styria Media Centre on Gadollaplatz 1 in Conrad-von-Hötzendorfstraße, which is one of the busiest streets in Graz. This relocation improved access for customers located in one of the city's newly developing districts. In addition, operations of the Tummelplatz branch were transferred to the branch in Kaiserfeldgasse, thereby refocusing Raiffeisen-Landesbank Steiermark AG on the city's core areas by centrally locating branches in Kaiserfeldgasse and on Jakominiplatz. For organisational purposes, the Ragnitz branch was designated as a second location for the Leonhard branch, which will in turn focus on its role as an advisory centre with an expanded number of staff. The company headquarters are situated in Kaiserfeldgasse in Graz, while the largest office of Raiffeisen-Landesbank Steiermark AG is located in Raaba. At present, more than 800 employees work at this location.
In addition to its main branch in Radetzkystraße, HYPO Steiermark, headquartered in the state capital of Graz, maintains three more branches in the Graz urban area – at the General Hospital (LKH), in Plüddemanngasse, and in Kärntnerstraße – with another location dedicated to PREMIUM.PrivateBanking.
The Kärntnerstraße branch also provides services for our customers at the banking outlets in Graz General Hospital, western district; Graz General Hospital, southern district; and Deutschlandsberg General Hospital.
Reflecting its role as a regional bank, five more branches are operated throughout Styria in Feldbach, Fürstenfeld, Judenburg, Leibnitz, and Schladming. Notably, the Bruck an der Mur branch was closed due to extensive changes in customer usage patterns. Customers at that location now have the option to use the services of a Raiffeisen advisory office.

I.4. Financial performance indicators

Performance

As at the reporting date, the cost/income ratio came to 72.89% compared to 115.09% the previous year. Much of this year-on-year improvement was caused by an increase in operating income, while lower administrative expenses were also a contributing factor. As far as operating income is concerned, the cost/income ratio was impacted primarily by the increase in net interest income and the rise in net trading income.

The return on equity (ROE), defined as net profit/loss for the year before taxes relative to average equity, stood at 12.94% as at 31.12.2015. Due to the negative consolidated result for 2014, by definition, no ROE is shown for the 2014 financial year.

Regulatory own funds

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.

With effect from 1 January 2014, determination of Raiffeisen-Landesbank Steiermark's consolidated regulatory capital and consolidated regulatory capital requirements is based on the CRR scope of consolidation of RLB-Stmk Verbund eGen pursuant to Basel III.

The total own capital funds of the companies included in the CRR scope of consolidation of RLB-Stmk Verbund eGen reached a volume of EUR 1,052.2 million as at 31.12.2015 (2014: EUR 951.9 million). This compared with a regulatory own funds requirement of EUR 503.9 million (2014: EUR 534.9 million), which resulted in a surplus of own funds of EUR 548.2 million (2014: EUR 417.0 million) on the reporting date. During the reporting period, the Tier 1 ratio increased to a satisfactory level of 15.75% (2014: 13.22%), while the own funds ratio came to 16.70% and was also well above the prior-year figure of 14.24%.

I.5. Non-financial performance indicators

As at 31.12.2015, the RLB Steiermark Group's workforce stood at 1,107 active employees, with an average period of employment of approximately 16 years. The percentage distribution between female and male employees is well balanced at 48% to 52%.

For us, being a modern bank means far more than simply using reliable, state-of-the-art technology. By introducing an electronic method of processing performance-related remuneration components, we have also set a new standard in HR management that will ensure the efficient and effective management of all aspects related to this function.

As a customer-focused provider of financial services, the expertise and skills of employees take centre stage for RLB Steiermark. For that reason – and even in times when cost savings are called for – we continue to invest in the ongoing training of our staff. At 2.76 days per employee, the average number of training days remained above the general industry level in 2015.

Furthermore, as part of the efficiency efforts described above, RLB Steiermark also obtained external benchmarks that indicate the extent to which the organisation's human resources are aligned with the services performed. Ensuring that the Group's workforce remains capable of adapting to dynamic requirements also demands attentiveness and proactive monitoring of change processes by our managerial staff.

For that reason, HR management focuses on (among other considerations) leadership development, for example by mentoring young managers, and the promotion of talent for medium-term succession planning. Our experienced managers also carefully consider our corporate values and draw up management guidelines accordingly. These actions reinforce a common leadership culture, which also provides junior managers with guidance related to their leadership effectiveness.

RLB Steiermark has long endeavoured to offer its employees working conditions that enable them to strike an optimal balance between career and family life. We aim to achieve this goal through a variety of measures, which we have improved and expanded on a continuous basis. These steps include flexible working hours, part-time models, the popular Kids' Camp (which provides childcare during holiday periods), and the RLB child-minding service.

These efforts are broadly supported throughout the organisation by HR management, the employees' council, and our own sporting and cultural association. As a result, Raiffeisen-Landesbank Steiermark, in conjunction with HYPO Steiermark, won the award for being the most family-friendly company in Styria in the "large companies" category of the Austrian initiative "Actions not Words".

The results of the survey "Evaluation of work-related psychological stress factors", which is mandatory for Austrian businesses, were also excellent. Nevertheless, further measures are being instituted, such as the introduction of an electronic suggestion mechanism that offers colleagues an optimal working environment and enables the Group to further exploit its existing resources.

All of these actions benefit RLB Steiermark in terms of employer branding. Moreover, they position us as a reliable Austrian employer in the mind of the public. This is a vital criterion when it comes to being perceived as a trustworthy, long-term partner by the public and our customers.

RLB Steiermark and Landes-Hypothekenbank Steiermark operate on the market as separate banks. Both institutions are actively involved in society and their activities cover a wide range of areas such as social affairs, culture, energy, education, and sport.

As sponsors, it is up to our partners to determine how they want to implement projects for and with people. By design, individual projects are not always communicated to the public, especially since it has been demonstrated that individual support is often the most effective element, particularly for the numerous charitable initiatives in this field.

Sponsoring is based on the common purpose of those involved to be more successful together and to promote broad public awareness. RLB Steiermark and Landes-Hypothekenbank Steiermark specifically lend their logos to individual persons, associations, and institutions which, through their ideas and achievements, are trendsetters in and driving forces behind our federal state.

As initiators, RLB Steiermark and Landes-Hypothekenbank Steiermark champion certain topics themselves, generate lively and substantive discussions, and offer solutions to problems. This means, for instance, that customer events are organised, discussion workshops are held, and/or interactive methods

targeted to younger age groups are used on social media sites including Facebook.

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

In January 2016, Raiffeisen-Landesbank Steiermark AG launched a fixed-interest bond with a volume of EUR 500 million and a tenor of 7 years on the international financial market. Despite the challenging capital market environment, the bond sold out in just three hours, providing ample proof that a banking group with strong regional roots can also distinguish itself on the international financial stage.

Beyond that, to the present date, no other business transactions or events have taken place that would be of particular public interest or might materially affect the 2015 consolidated financial statements.

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

II.1. Expected development of the company

In 2016, the global economy will remain susceptible to shocks, whether market driven or politically induced. The markets will continue being buffeted by central bank intervention, which was also evidenced by the markets' disappointed reaction to the December 2015 ECB meeting. Uncertainty also surrounds the question of whether the steps taken by the US Fed to return monetary policy to normal will actually have the desired effect.

In the euro area, a growth rate similar to that of the previous year (around 1.5%) is forecast for 2016. The actions taken by the ECB will have a positive impact on consumption and investments, and improved returns on investment support an increase in investment growth. Continued low crude oil prices will improve domestic demand but will also trigger more action by the ECB in its bid to combat deflation risks. Economic development in the euro area suggests that fiscal policy will become somewhat more expansive. However, structural problems such as unemployment, waning competitiveness, and excessive indebtedness pose distinct challenges to any significant and/or sustained acceleration in growth. Issues surrounding the rumoured "Brexit" and its potential consequences for Europe and the euro area also should not be underestimated.

Austria's growth rate is expected to accelerate to around 1.5% of GDP, driven mainly by the positive fiscal impact of tax reform. If this occurs, growth should again approach a level that is above the average for the euro area. A decline in unemployment is not yet expected for 2016.

The US economy is expected to replicate the level and structure of its 2015 growth. Consumer spending will be fuelled by labour market dynamics, low energy prices, and a loose fiscal policy stance, while net exports might constrain economic output. Even after six years of expansion, no cycle of recession appears to be on the horizon, and the Fed will likely continue its strategy of monetary policy normalisation. However, since the markets are not yet convinced that the US economic rebound will remain on solid footing, the Fed must walk a fine line in 2016.

In Japan, moderate expansion is anticipated for 2016, although the Japanese central bank must take further action to meet its inflation target. In the emerging markets as well, the major considerations in 2015 will persist as factors in 2016. For instance, while China's structural change will slow economic growth, it is unlikely to result in a "hard landing". Further growth is expected for the countries in East Asia, which may be as robust as growth in India. However, Latin America will likely experience a downturn due to the political turmoil in Brazil.

Economic activity in CEE is expected to accelerate further. Concurrently, the Russian economy is reeling under the combined impact of Western sanctions and over-reliance on crude oil revenues, which places a double burden on Russia's economy. Burdened even further by its own restrictive fiscal policy, Russia's potential economic growth rate has fallen to almost zero for 2016.

The economic environment for banks will remain challenging in 2016, given increasing levels of cost and income pressure and no relief from regulatory burdens. For this reason, the banking sector is undergoing a process of transformation, which has caused a certain degree of uncertainty among Austrian banking customers. Given this backdrop of change, stability and a strong regional

rooting – factors that have long been important elements in the success of the Raiffeisen banks – become all the more significant.

Our forward-looking corporate policy puts us on a firm foundation to master the challenges associated with our economic and statutory environment. Maintaining a close relationship with our customers and upholding our values of security, proximity and trust are our highest priorities. Advice, assistance and jointly developing solutions for the financial needs of our customers are the central the focus of our activities. As a strong regional bank that is part of a wider banking Group, we are a reliable partner to our customers, equity holders, and the society in which we operate – even in turbulent times.

II.2. Risk report

Information for IFRS 7 disclosure purposes regarding the types of risk associated with financial instruments is shown in the “Risk report” of the consolidated financial statements. For details regarding the risks arising from defined benefit plans (severance payments and pensions), we refer to the information contained in note 24 “Provisions”.

III. REPORT ON RESEARCH AND DEVELOPMENT

Raiffeisen-Landesbank Steiermark maintains contacts with renowned experts and innovators from around the country, which are shared with Landes-Hypothekenbank Steiermark. This is reflected in cooperation agreements with research universities and universities of applied sciences as well as joint projects with innovation centres like evolaris next level GmbH. The annual economic discussion forum held by Raiffeisen-Landesbank Steiermark AG on the basis of the expert reports and forecasts of the Wirtschaftsforschungsinstitut (WIFO, Austrian Economic Research Institute) and the Industriellenvereinigung (IV, Federation of Austrian Industries) regarding the country's future economic development, has long since been a central focal point for leading figures from the fields of economics, politics, academia and the media.

The presentations and discussion points given by employees to share their expertise with public bodies, higher education establishments, partner companies and schools have also become important stimuli for the transfer and expansion of knowledge. In turn, students join Raiffeisen-Landesbank Steiermark AG as interns seeking to put their knowledge into practice in the context of concrete projects.

Due to the nature of the industry in which Raiffeisen-Landesbank Steiermark AG operates, there is no further relevant information about research and development activities.

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

1. Legal background

Pursuant to § 267 (3b) in conjunction with § 243a (2) of the Austrian Business Enterprise Code (UGB) as set forth in the Company Law Amendment Act 2008 (URÄG 2008), the key features of the Group's internal control and risk management system with regard to the financial reporting process must be described for financial years beginning after 31 December 2008 in the (consolidated) management report of companies whose shares or other securities issued are admitted for trading on a regulated market pursuant to § 1 (2) of the Austrian Stock Exchange Act (BörseG).

2. Subject of the report

In accordance with the disclosure requirements for the internal control and risk management system with regard to the financial reporting process as introduced by the Company Law Amendment Act 2008 (URÄG 2008 – Federal Law Gazette I No. 2008/70), companies oriented toward the needs of the capital markets must describe the key features of the internal control and risk management system with regard to the (Group) financial reporting process in the consolidated management report. The users of the financial statements should be able to better evaluate the key features of the control and risk management system with regard to the (Group) financial reporting process.

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.

A part of the internal control system, the risk management system with regard to the financial reporting process is related to control and monitoring procedures of accounting just as the latter is, in

particular when it comes to items shown on the balance sheet that recognise the bank's risk hedging.

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

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

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

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

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

Graz, 8 April 2016

The Managing Board

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

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

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

02

2015 CONSOLIDATED FINANCIAL STATEMENTS

prepared in accordance with international financial reporting standards (IFRS)

CONTENT

2015 CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

STATEMENT OF COMPREHENSIVE INCOME

Income statement

	Note/s	2015	2014		Change
		TEUR	TEUR	TEUR	%
Interest and similar income [1]	1	347,306	357,607	-10,301	-2.9
Profit/loss from companies carried at equity	1	-958	-49,512	48,554	-98.1
Interest and similar expenses	1	-207,205	-239,683	32,478	-13.6
Net interest income	**1**	**139,143**	**68,412**	**70,731**	**>100**
Charges for impairment allowances on loans and advances	2	10,465	-32,774	43,239	>100
Net interest income after impairment charges		**149,608**	**35,638**	**113,970**	**>100**
Net fee and commission income	3	38,868	36,890	1,978	5.4
Profit/loss from hedge accounting	4	1,838	10,024	-8,186	-81.7
Net trading income [1]	5	1,477	-16,845	18,322	>100
Profit/loss from financial instruments – designated at fair value through profit or loss [1]	6	50,123	56,380	-6,257	-11.1
Profit/loss from financial assets – available for sale	7	29,743	-17,102	46,845	>100
General administrative expenses	8	-169,773	-185,377	15,604	-8.4
Other operating profit/loss	9	53,155	72,597	-19,442	-26.8
Consolidated net profit/loss for the year before taxes		**155,039**	**-7,795**	**162,834**	**>100**
Income taxes	10	-2,619	12,847	-15,466	>100
Consolidated net profit/loss for the year		**152,420**	**5,052**	**147,368**	**>100**
Consolidated net profit/loss for the year attributable to the shareholders of RLB Steiermark		151,524	5,213	146,311	>100
Consolidated net profit/loss for the year attributable to non-controlling interests		896	-161	1,057	>100

[1] With effect from the 2015 financial year, certain derivative instruments ("economic hedges") were allocated to the underlying transactions covered by these instruments. Accordingly, the corresponding impact on earnings is reported under the line items "Interest and similar income" (net interest income) and "Profit/loss from financial instruments – designated at fair value through profit or loss" (remeasurement gains/losses). For that reason, the prior-year figures have been adjusted accordingly, and the interest income of TEUR 9,126 contained in "Net trading income" has been reclassified to "Interest and similar income". The remeasurement losses of TEUR -10,173 contained in "Net trading income" have been reclassified to "Profit/loss from financial instruments – designated at fair value through profit or loss". Due to this reclassification, net trading income for 2014 increased by TEUR 1,047.

Reconciliation to consolidated comprehensive income

	2015	2014		Change
	TEUR	TEUR	TEUR	%
Consolidated net profit/loss for the year	**152,420**	**5,052**	**147,368**	**>100**
Other comprehensive income				
Items not reclassified to profit or loss				
Actuarial gains and losses from defined benefit plans	2,083	-10,385	12,468	>100
Deferred taxes on actuarial gains and losses from defined benefit plans	-491	2,526	-3,017	>100
Proportionate changes in equity of companies carried at equity without effect on profit or loss	600	-2,846	3,446	>100
Items that can be reclassified to profit or loss				
Changes in the valuation of financial assets available for sale (AFS)	-56,958	44,844	-101,802	>100
Deferred taxes in relation to the valuation of financial assets available for sale (AFS)	5,559	-11,105	16,664	>100
Proportionate changes in equity of companies carried at equity without effect on profit or loss	-17,444	-109,642	92,198	-84.1
Currency translation differences	-4	7	-11	>100
Total other comprehensive income	**-66,655**	**-86,601**	**19,946**	**-23.0**
Consolidated comprehensive income	**85,765**	**-81,549**	**167,314**	**>100**
Consolidated comprehensive income attributable to the shareholders of RLB Steiermark	86,269	-81,140	167,409	>100
Consolidated comprehensive income attributable to non-controlling interests	-504	-409	-95	23.2

STATEMENT OF CHANGES IN THE AVAILABLE-FOR-SALE RESERVE (AFS RESERVE)

Changes in AFS reserve	2015 (TEUR)			2014 (TEUR)		
	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Attributable to the shareholders of RLB Steiermark	-54,763	5,011	-49,752	43,216	-10,700	32,516
Attributable to non-controlling interests	-2,195	548	-1,647	1,628	-405	1,223
Changes in AFS reserve	**-56,958**	**5,559**	**-51,399**	**44,844**	**-11,105**	**33,739**

BALANCE SHEET

	Note/s	2015	2014		Change
		TEUR	TEUR	TEUR	%
Cash and balances with central banks	11	47,218	41,063	6,155	15.0
Loans and receivables at amortised cost	12	8,452,848	8,471,311	-18,463	-0.2
Charges for impairment allowances on loans and advances	13	-314,405	-394,974	80,569	20.4
Trading assets	14	1,863,201	1,809,279	53,922	3.0
Financial assets – designated at fair value through profit or loss	15	1,322,277	1,412,101	-89,824	-6.4
Financial assets – available for sale	16	1,542,117	1,768,951	-226,834	-12.8
Companies carried at equity	17	801,233	823,334	-22,101	-2.7
Intangible assets	18	7,119	11,394	-4,275	-37.5
Property and equipment	19	152,450	160,720	-8,270	-5.1
Current income tax assets	25	998	12,046	-11,048	-91.7
Deferred income tax assets	25	15,928	8,629	7,299	84.6
Other assets	20	155,309	89,847	65,462	72.9
TOTAL ASSETS		**14,046,293**	**14,213,701**	**-167,408**	**-1.2**
Financial liabilities at amortised cost	21	8,068,177	7,636,812	431,365	5.6
Trading liabilities	22	845,450	527,047	318,403	60.4
Financial liabilities – designated at fair value through profit or loss	23	3,707,124	4,649,694	-942,570	-20.3
Provisions	24	123,300	119,932	3,368	2.8
Current income tax liabilities	25	4,025	223	3,802	>100
Deferred income tax liabilities	25	9,661	8,979	682	7.6
Other liabilities	26	49,271	114,891	-65,620	-57.1
Equity	**27**	**1,239,285**	**1,156,123**	**83,162**	**7.2**
Equity attributable to the shareholders of RLB Steiermark	27	1,183,388	1,101,284	82,104	7.5
Equity attributable to non-controlling interests	27	55,897	54,839	1,058	1.9
TOTAL EQUITY AND LIABILITIES		**14,046,293**	**14,213,701**	**-167,408**	**-1.2**

STATEMENT OF CHANGES IN EQUITY

TEUR	Subscribed capital	Capital reserves	Retained earnings	AFS reserve	Consolidated net profit/loss for the year	Equity attributable to the shareholders of RLB Steiermark	Equity attributable to non-controlling interests	Aggregate capital
Equity at 1.1.2015	**141,419**	**403,258**	**416,964**	**134,430**	**5,213**	**1,101,284**	**54,839**	**1,156,123**
Consolidated net profit/loss for the year					151,524	151,524	896	152,420
Other comprehensive income			-15,503	-49,752		-65,255	-1,400	-66,655
Consolidated comprehensive income			-15,503	-49,752	151,524	86,269	-504	85,765
Capital increase	1,302	-1,302						
Change in retained earnings due to consolidated net profit/loss for the year			5,213		-5,213			
Dividend distribution			-5,010			-5,010		-5,010
Other changes			845			845	1,562	2,407
Equity at 31.12.2015	**142,721**	**401,956**	**402,509**	**84,678**	**151,524**	**1,183,388**	**55,897**	**1,239,285**
Equity at 1.1.2014	**135,297**	**409,380**	**632,542**	**101,914**	**-39,758**	**1,239,375**	**89,312**	**1,328,687**
Consolidated net profit/loss for the year					5,213	5,213	-161	5,052
Other comprehensive income			-118,869	32,516		-86,353	-248	-86,601
Consolidated comprehensive income			-118,869	32,516	5,213	-81,140	-409	-81,549
Capital increase	6,122	-6,122						
Change in retained earnings due to consolidated net profit/loss for the year			-39,758		39,758			
Dividend distribution			-5,050			-5,050		-5,050
Change in scope of consolidation			-869			-869	-33,263	-34,132
Other changes			-51,032			-51,032	-801	-51,833
Equity at 31.12.2014	**141,419**	**403,258**	**416,964**	**134,430**	**5,213**	**1,101,284**	**54,839**	**1,156,123**

Details of the changes summarised above are reported in note 27 “Equity”.

CASH FLOW STATEMENT

TEUR	Note/s	2015	2014
Consolidated net profit/loss for the year		**152,420**	**5,052**
Non-cash items contained in the consolidated profit/loss for the year and reconciliation to the cash flow from operating activities			
Depreciation, amortisation, impairment of financial assets		34,985	-38,292
Net creation of provisions and impairment allowances		-12,320	46,117
Profit from the sale of assets		-18,257	-8,787
Loss from the sale of assets		7,041	2,653
Other adjustments		-149,360	-24,229
Change in assets and liabilities arising from operating activities after corrections for non-cash items			
Loans and receivables at amortised cost (after impairment charges)	12	-48,176	123,906
Trading assets	14	-209,646	60,749
Financial assets – designated at fair value through profit or loss	15	81,792	41,384
Financial assets – available for sale	16	143,973	-69,312
Other assets from operating activities	20	-67,415	-14,271
Financial liabilities at amortised cost	21	427,037	406,469
Trading liabilities	22	339,711	153,976
Financial liabilities – designated at fair value through profit or loss	23	-802,771	-776,729
Other liabilities from operating activities	26	-65,884	-837
Taxes on income paid	25	14,399	3,260
Interest received	1	347,067	328,851
Dividends received	1	7,586	8,431
Interest paid	1	-216,861	-250,404
Cash flow from operating activities		**-34,679**	**-2,013**
Cash proceeds from the sale of:			
Property and equipment and intangible assets	18, 19	4,854	11,071
Equity investments (non-consolidated)	16	46,340	3,177
Sale of subsidiaries		1,025	0
Cash paid for the acquisition of:			
Property and equipment and intangible assets	18, 19	-10,729	-21,630
Equity investments (non-consolidated)	16	-3,681	-12,159
Acquisition of minority interests		0	-24,525
Cash flow from investing activities		**37,809**	**-44,066**
Dividends	27	-5,010	-5,050
Subordinated liabilities		8,065	13,603
Cash flow from financing activities		**3,055**	**8,553**
Cash and cash equivalents at end of previous period		**41,063**	**78,672**
Cash flow from operating activities		-34,679	-2,013
Cash flow from investing activities		37,809	-44,066
Cash flow from financing activities		3,055	8,553
Effects of exchange rate fluctuations		-30	-83
Cash and cash equivalents at end of period [1)]	**11**	**47,218**	**41,063**

[1)] The item "Cash and cash equivalents" is equivalent to cash and balances held with central banks.

Other adjustments relate primarily to the change in companies carried at equity and deferred taxes. Furthermore, this item reconciles interest and fair value measurements, as these figures appear in other cash flow line items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial reporting principles

General information

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

RLB-Stmk Holding eGen (RLB-Stmk Holding) holds 84.08% (2014: 86.50%) of the shares in RLB Steiermark. A further 13.13% are held directly by Styrian Raiffeisen banks. RLB-Stmk Verbund eGen (RLB-Stmk Verbund) owns 95.16% (2014: 95.13%) of RLB-Stmk Holding. The remaining shares are held by other cooperative members. RLB-Stmk Verbund is the Group's ultimate parent company.

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

In accordance with Austrian disclosure regulations, the consolidated financial statements of RLB-Stmk Verbund are lodged with the Commercial Register at the Graz Regional Court and published in the official gazette (Amtsblatt der Wiener Zeitung).

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

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

All information provided in connection with the Austrian Banking Act (BWG) relates to the BWG version in effect until 31 December 2015.

Accounting policies underlying the consolidated financial statements

The consolidated financial statements for the 2015 financial year, together with the prior-year figures for 2014, have been prepared in accordance with EU Regulation (EC) 1606/2002 in conjunction with § 245a of the Austrian Business Enterprise Code (UGB) and § 59a of the Austrian Banking Act (BWG). All of the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and all of the interpretations issued by the IFRS Interpretations Committee (IFRIC) whose application in connection with the consolidated financial statements was mandatory were taken account of as adopted by the EU. The consolidated financial statements comply with the provisions of § 245a UGB and § 59a BWG governing the exemption from filing consolidated financial statements in accordance with internationally recognised accounting principles.

Application of amended/new standards and interpretation

New and amended standards and interpretations, the application of which is mandatory from the year under review:

Standard/interpretation	Effective for annual periods beginning on or after	Adopted by the EU
IFRIC 21, "Levies"	1.1.2014	Yes*
Annual improvements (cycle 2011–2013) – Various standards	1.7.2014	Yes**
Annual improvements (cycle 2010–2012) – Various standards	1.7.2014	Yes***
Amendments to IAS 19, "Defined Benefit Plans: Employee Contributions"	1.7.2014	Yes***

* Throughout the EU; effective 1.7.2014.
** Throughout the EU; effective 1.1.2015.
*** Throughout the EU; effective 1.2.2015.

IFRIC 21, "Levies"
IFRIC 21, "Levies" establishes new rules for the recognition of levies in the financial statements. It is effective for annual periods beginning on or after 1 January 2014 and has been adopted by the EU on 14 June 2014.

Amendments to IAS 19, "Defined Benefit Plans: Employee Contributions"
These amendments to IAS 19 clarify the accounting for contributions from employees, in addition to those from the employer, to a defined contribution plan. The amendments became effective on 1.7.2014 and were adopted by the EU in December 2014.
They will have no impact on the RLB Steiermark Group.

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

Standard/interpretation	Description	Effective for annual periods beginning on or after	Adopted by the EU
IFRS 11	Amendments to IFRS 11, "Accounting for the Acquisition of an Interest in a Joint Operation"	1.1.2016	Yes
IAS 16, IAS 38	Amendments to IAS 16 and IAS 38, "Clarification of Acceptable Methods of Depreciation and Amortisation"	1.1.2016	Yes
IAS 16, IAS 41	Amendments to IAS 16 and IAS 41, "Bearer Plants"	1.1.2016	No
IFRS 10, IAS 28	Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	- ****	No
IFRS 10, IFRS 12 and IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28, "Investment Entities – Application of the Exemption Rule to Consolidation"	1.1.2016	No
Various standards	Annual improvements (cycle 2012–2014)	1.1.2016	Yes
IAS 27	Amendments to IAS 27 – "Separate Financial Statements (Equity Method)"	1.1.2016	Yes
IAS 1	Amendments to IAS 1, "Presentation of Financial Statements"	1.1.2016	Yes
IFRS 14	Regulatory Deferral Accounts	1.1.2016	No
IFRS 15	Revenue from Contracts with Customers	1.1.2018	No
IFRS 9	Financial Instruments	1.1.2018	No

**** The mandatory effective date had initially been set for 1.1.2016 but was deferred indefinitely by the IASB.

A determination was made to refrain from the early adoption of standards and interpretations which, although they have been approved and endorsed by the EU, are not yet mandatory.

Amendments to IFRS 11, "Accounting for the Acquisition of an Interest in a Joint Operation"
These amendments clarify the accounting for acquisitions of interests in joint operations if the joint operation in question constitutes a business. The amendments were issued in May 2014 and will enter into effect on 1.1.2016. EU endorsement is still pending. From a current perspective, this standard is not applicable to the RLB Steiermark Group.

Amendments to IAS 16 and IAS 38, "Clarification of Acceptable Methods of Depreciation and Amortisation"
In May 2014, the IASB issued amendments to IAS 16 and IAS 38, clarifying that the use of revenue-based depreciation methods for property, plant and equipment is not appropriate, and significantly limiting the use of revenue-based depreciation methods for intangible assets. These amendments will have no material impact on the RLB Steiermark Group. The effective date is 1.1.2016, and EU endorsement is still pending.

Amendments to IAS 16 and IAS 41, "Bearer Plants"
In August 2014, the IASB issued amendments to IAS 27 and IAS 41 regarding bearer plants. The RLB Steiermark Group does not apply these standards, which will enter into effect on 1.1.2016 and have not yet been endorsed by the EU.

Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
Published on 11 September 2014, the purpose of these amendments is to clarify the accounting treatment of gains or losses from transactions between an investor and its associates or joint ventures. In future, the accounting treatment of any gains or losses will depend on whether the assets sold or contributed to constitute a business. Initially, mandatory application of these amendments was scheduled for financial years beginning on or after 31 December 2015. Although the IASB subsequently decided to defer the mandatory effective date indefinitely, the option of early adoption remains available.

Amendments to IFRS 10, IFRS 12 and IAS 28, "Investment Entities – Application of the Exemption Rule to Consolidation"
The IASB issued amendments to IFRS 10, IFRS 12 and IAS 28 on 18 December 2014. The amendments clarify the application of the consolidation exemption rule if the parent company meets the definition of an investment company. Now it is stated explicitly that the exemption of preparing consolidated financial statements also applies to the subsidiaries of an investment entity which are parent companies themselves. Incorporation of the amendments into European law has not yet taken place. These amendments will have no impact on the RLB Steiermark Group.

Amendments to IAS 27 – "Separate Financial Statements (Equity Method)"
In August 2014, the IASB issued amendments to IAS 27 regarding application of the equity method in separate financial statements. The amended IAS 27 introduces the option of applying the equity method when reporting investments in subsidiaries, joint ventures and associates in separate financials statements. EU endorsement is still pending.

Amendments to IAS 1, "Presentation of Financial Statements"
On 18 December 2014, the IASB, under its Disclosure Initiative, published amendments to IAS 1 concerning various clarifications and additional disclosure requirements with the aim of improving the quality of financial reporting as regards the information contained in the notes. Incorporation of the amendments into European law has not yet taken place.

IFRS 14, "Regulatory Deferral Accounts"
IFRS 14, "Regulatory Deferral Accounts" permits a company which is a first-time adopter of IFRS to continue to account, with some limited changes, for regulatory deferral account balances in accordance with the previously used generally accepted accounting policies. The standard will enter into effect on 1.1.2016 but has not yet been adopted by the EU and will have no impact on the RLB Steiermark Group.

IFRS 15, "Revenue from Contracts with Customers"
In May 2014, the IASB issued IFRS 15, which specifies when and how revenue from contracts with customers is to be recognised in all lines of business. The standard supersedes IAS 11, "Construction Contracts", IAS 18, "Revenue", IFRIC 13, "Customer Loyalty Programmes", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC 31, "Revenue – Barter Transactions Involving Advertising Services". The standard will be effective from 1 January 2018; its adoption by the EU is still pending. These amendments will have no material impact on future consolidated financial statements of the RLB Steiermark Group.

IFRS 9, "Financial Instruments"
IFRS 9 prescribes new requirements for the classification and measurement of financial assets and financial liabilities. The mandatory effective date of IFRS 9 will be 1 January 2018. The RLB Steiermark Group anticipates that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of financial assets and financial liabilities. The potential impact on future financial statements is currently being evaluated.

RECOGNITION AND MEASUREMENT 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 one subsidiary which was included in the consolidated financial statements as at 30 September, and the DASAA 8010 Miteigentumsspezialfonds (joint ownership special fund) in accordance with § 20a of the Austrian Investment Fund Act (InvFG), which was included in the consolidated financial statements as at 31 October, the fully consolidated companies and the company carried 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. If negative goodwill arises within the context of first-time consolidation, this must be recognised immediately in profit or loss once the valuations have been reassessed. Incidental acquisition costs are recognised as expenses. Transactions with non-controlling interests that do not lead to any change in the control relationship are only shown directly in equity.

Consolidation methods

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

During the elimination of intragroup balances, receivables and payables between companies belonging to the scope of full consolidation were offset.

Intragroup income and expenses were eliminated during the process of consolidating income and expenses.
Intragroup profits were eliminated if their effect on line items in the income statement 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, the bank 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 had not been included in the consolidated financial statements and investments in associates which were not carried at equity are identified in the balance sheet item "Financial assets – available for sale" and have been measured at fair value.

Investments in associates

Investments in companies over which RLB Steiermark had a significant influence were carried at equity and recorded on the balance sheet in the line item "Companies carried at equity". As a rule, ownership interests of between 20% and 50% confer significant influence. As at the reporting date (31.12.2015), this exclusively applies to the equity investment in Raiffeisen Zentralbank Österreich AG, Vienna (RZB). Material influence exists because RLB Steiermark has a permanent seat on the supervisory board of Raiffeisen Bank International AG (RBI) and Raiffeisen Zentralbank Österreich AG, Vienna (RZB).

If there are indicators that suggest a possible impairment as defined by IAS 39, equity carrying amounts must undergo an impairment test pursuant to IAS 28 in conjunction with IAS 36. As a rule, impairment testing is carried out using a valuation method based on future financial surpluses of the associate. Charges on the basis of impairments are shown in the income statement under "Profit/loss from companies carried at equity". The proportionate net profit/loss attributable to companies carried at equity is shown in the same item of the income statement.

The same rules were applied to companies carried at equity (date of first-time consolidation, calculation of goodwill or negative goodwill) as to investments in subsidiaries. The basis for recognition was provided by the respective financial statements as at 31.12.2015 of the companies carried at equity.

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

	Full consolidation*		Equity method	
	2015	2014	2015	2014
At 1 January	**34**	**36**	**1**	**1**
Included for the first time in the reporting year	0	0	0	0
Change due to reorganisation during the reporting year	0	-2	0	0
Deconsolidated in the reporting year	0	0	0	0
At 31 December	**34**	**34**	**1**	**1**

* including Raiffeisen-Landesbank Steiermark AG (parent entity) and one consolidated structured entity (DASAA).

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

Foreign currency translation

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

Income and expense items are immediately translated into the functional currency at the time they arose applying the market exchange rates prevailing at the date of the transaction.

Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one company and a financial liability or equity instrument of another company.
IAS 39 requires that all financial assets and liabilities, including derivative financial instruments, must be recognised on the balance sheet. 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.
A financial asset is derecognised at the time when the company loses the power to dispose of the asset or when the contractual rights to the asset are lost. A financial liability is derecognised when it has been repaid.

Financial instruments must be divided into defined categories. Their subsequent measurement depends on the category to which they were allocated:

- Financial assets or financial liabilities – designated at fair value through profit or loss

Financial assets or financial liabilities designated at fair value through profit or loss are financial instruments which are either classified by the company as held for trading or designated as at fair value through profit or loss.

- **Held for trading.** Financial assets and financial liabilities classified as financial instruments held for trading serve the purpose of generating a profit from short-term fluctuations in market price or dealer's margin. All financial instruments held for trading are measured at fair value, with revaluation gains and losses being recognised in the income statement under the line item "Net trading income".
- **Derivatives.** Derivatives are carried in the balance sheet at fair value, with revaluation gains and losses being recognised in the income statement.
- **Designated at fair value through profit or loss.** Essentially, this category includes those financial assets and liabilities that are irrevocably designated as "Financial assets/liabilities at fair value through profit or loss" (the so-called "**fair value option**") at the date of acquisition, irrespective of any intention to trade.

The **fair value option** for a financial instrument may only be exercised in the following cases:

- Elimination or reduction of an accounting mismatch;
- Management and performance measurement of a portfolio of financial instruments on a fair value basis in accordance with a documented risk management or investment strategy;
- The (structured) financial instrument includes one or more embedded derivatives that must be separated.

Upon initial recognition, the financial assets and liabilities are measured at the fair value of the consideration given (in the case of acquisition of financial assets) or received (in the case of entering into a financial commitment). Financial assets and liabilities designated upon initial recognition as financial assets at fair value through profit or loss are also measured subsequently at fair value, with valuation gains and losses being recognised under a separate item in the income statement.

- Loans and receivables

Loans and receivables with fixed or definable payments that are not listed on an active market are assigned to this category. This applies regardless of whether the financial instruments were originated by the bank or acquired in the secondary market. Items classified as "loans and receivables" are initially measured at their fair value. Subsequent measurement is stated at amortised cost.

Pursuant to IAS 39.9, amortised cost is defined as 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.

As premiums and discounts are a component of the amortised cost calculation, they must be shown in one balance sheet item together with the relevant financial instruments. Premiums and discounts are spread over the respective term and recognised in the income statement under net interest income.

- Held to maturity

This category is not addressed in greater detail, as the RLB Steiermark Group does not have any portfolio items that are held to maturity.

- Available for sale

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or which are not allocated to any of the categories mentioned above. These assets are measured at fair value pursuant to IAS 39. The gains and losses (i.e. all positive and negative changes in value) arising from the valuation are recognised in a separate item of equity (AFS reserve) until the asset is disposed of or impaired. Upon disposal of the asset, the remeasurement gains and losses accumulated in the AFS reserve are reversed and recorded in the income statement. In the event of an impairment, the AFS reserve is adjusted by the impairment amount and entered in the income statement. If the fair value increases, the impairment will be reversed and the reversal recognised in the income statement (for debt instruments); or the impairment will be reversed and recognised in equity (for listed equity instruments). Unless a fair value can be reliably determined for unlisted equity instruments pursuant to IFRS 13, the impairment is reversed and recognised in equity. Impairment losses charged on equity instruments measured at amortised cost in prior reporting periods are not reversed in subsequent periods, either in the income statement or in equity, if the reasons for the impairment loss no longer apply (IAS 39.66).

Premium and discount amortisations are not components of the AFS reserve, but are instead recognised in the income statement under net interest income. Gains and losses from the currency translation of monetary items (debt instruments) are recognised in profit or loss.

Hedge accounting

The RLB Steiermark Group applies fair value hedge accounting as defined by IAS 39. As a general rule, the changes in the fair value of a measured hedged item that can be ascribed to a certain risk (e.g. interest or currency risk) are hedged by means of an opposing hedging transaction. By accounting for them as fair value hedges, one-sided effects on profit or loss in connection with economically hedged risks can be avoided. A fundamental prerequisite lies in the prospectively and retrospectively demonstrable and documented effectiveness of the hedging relationships. 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, upon entering into the hedging relationship and as it progresses, a high degree of effectiveness at compensating for changes in fair value on the part of the hedging instrument designated in the hedging relationship must be documented at regular intervals.

Within the RLB Steiermark Group, hedge accounting is predominantly used for underlying transactions on the liabilities side that are subject to fixed interest rate risks, which are hedged through derivative financial instruments that essentially have identical parameters but are expected to move in the opposite direction. The objective is to reduce the volatility of earnings which may arise – without hedge accounting – in the event of a one-sided market valuation of the derivative, as well as in the event of a market valuation of the derivative and the hedged item (when exercising the fair value option). To hedge the interest rate risk of refinancing, interest rate swaps are concluded that fulfil the requirements for hedge accounting. These hedges are documented, assessed on an ongoing basis and classified as highly effective. Both at the outset and throughout the term of the hedging relationship, it can be assumed that it is highly effective, that changes in the fair value of a hedged item will be offset almost completely by the changes in the fair value of the hedging instrument, and that the risk offset will lie within a range of 80% to 125%.

Hedging transactions in connection with fair value hedge accounting are shown in the balance sheet items “Trading assets” and “Trading liabilities”.

- Hedged items in connection with fair value hedge accounting are currently included in the items “Financial liabilities at amortised cost” and “Loans and receivables at amortised cost” in the balance sheet.

The effect of hedge accounting is shown separately in the line item “Profit/loss from hedge accounting” in the income statement.

Other financial liabilities

Financial liabilities, provided they do not constitute trading liabilities or have not been designated under the fair value option, are also accounted for at amortised cost. Repurchased own issues are deducted from equity on the liabilities side.

Financial guarantees

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 premium received when the transaction is concluded. If no upfront premium is paid, the fair value at the conclusion of the transaction is zero. This figure is reviewed for impairment indicators within the scope of subsequent measurement.

Embedded derivatives

IAS 39 governs the way in which components of a hybrid security that are embedded in a non-derivative instrument (embedded derivatives) are accounted for. Under certain conditions, an embedded derivative must be separated from the primary financial instrument and accounted for as a stand-alone derivative. To reduce the complexity compared to a separate recognition and measurement of the underlying contract and the derivative, or to increase the reliability of the measurement (IAS 39.AG33A), the entire financial instrument may be recognised at fair value through profit or loss under the fair value option. In the case of structured financial instruments for which separation is obligatory, the RLB Steiermark Group makes use of this designation option and recognises those financial instruments in the balance sheet items “Financial assets – designated at fair value through profit or loss” and “Financial liabilities – designated at fair value through profit or loss”. The fair value gains and losses are also shown in a separate line item in the income statement (Profit/loss from financial instruments – designated at fair value through profit or loss).

INCOME STATEMENT

Net interest income

Besides interest income and interest expenses, net interest income also includes all similar recurring and non-recurring income and charges.

Interest income mainly includes interest income from loans and advances to other banks and customers, from deposits with central banks and from derivative financial instruments and fixed-income securities that are not allocated to the trading portfolio. In addition, this item includes income from shares and other variable-yield securities (especially dividend income) as well as the income from interests in excluded entities and equity investments.

Interest expenses and similar charges primarily include interest costs for liabilities toward other banks and customers, central banks and for liabilities evidenced by certificates and supplementary and subordinated debt capital.

Following the ruling by the IFRS Interpretation Committee regarding the reporting of negative interest rates, the negative interest for financial instruments carried as assets is shown under interest expenses and the negative interest for financial instruments carried as liabilities under interest income.

The profit/loss from investments in companies carried at equity is also shown as a separate position under net interest income. Impairments and reversals of impairment losses as well as gains and losses from the disposal of companies carried at equity are also shown under this item.

Interest income and expenses and similar income and charges are recorded and measured on an accrual basis. Dividend income is recognised as of the time the right to payment arises.

Risk provisions (impairment charges)

The line item charges for impairment allowances on loans and advances includes all expenses and income connected with the revaluation of loans and advances to other banks and customers and in connection with other credit risks for which provisions are created. In particular, this line item shows additions to and reversals of specific (item-by-item) and portfolio-based impairment allowances plus direct write-offs of loans and advances as well as recoveries of loans and advances previously written off.

Additions to and reversals of other impairment allowances that are not related to the lending business are shown in other operating profit/loss.

Net fee and commission income

Net fee and commission income includes all income and expenses arising in connection with the rendering of services. Above all, this applies to income and expenses for services that relate to the Group's lending and securities operations and payment services.

Profit/loss from hedge accounting

This item includes expenses and income from revaluation gains and losses on hedged items and hedging instruments.

Net trading income

This item includes all net gains and losses from securities, loans and borrowings, derivatives (held for trading) and foreign currency positions. 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.

Profit/loss from financial instruments – designated at fair value through profit or loss

This line item includes both remeasurement gains and losses as well as profit and loss realised from financial assets and financial liabilities that were designated irrevocably as financial instruments at fair value at the time of initial recognition in the balance sheet, irrespective of any intention to trade (the so-called "fair value option"). In addition, this item also includes the gains/losses from the remeasurement of economic hedges which can be allocated to designated underlying transactions. Application of the fair value option is tied to certain conditions, which are explained in greater detail in the "Balance sheet" section ("Financial assets – designated at fair value through profit or loss").

Profit/loss from financial assets – available for sale

This item comprises impairments and reversals of impairment losses as well as gains and losses from the disposal of debt instruments and equity instruments available for sale.

General administrative expenses

General administrative expenses include staff costs, other administrative expenses and depreciation/amortisation/write-offs of intangible assets and property and equipment.

Other operating profit/loss

Other operating profit/loss includes, inter alia, the income and expenses from the disposal of property and equipment, real estate and intangible assets, as well as income from internal charges for IT services and other taxes.

Income taxes

Current and deferred income taxes are presented under this item.

BALANCE SHEET

Cash and balances with central banks

This item comprises cash and deposits held with central banks. These balances are recognised at their nominal value.

Loans and receivables at amortised cost

Loans and advances to other banks and customers not resulting from core banking relationships and purchased receivables are initially measured at their fair value. Subsequent measurement is stated at amortised cost.

Premiums and discounts are spread over the term of the respective item using the effective interest rate method and shown in the income statement under net interest income. Accrued interest is shown in the respective line item.

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

Impairment allowance balance

The specific risks of lending operations are covered by creating impairment allowances and provisions.

Loans and advances to customers and other banks are tested for impairment when objective indications of a decline in value are present, and are considered within the context of a specific impairment allowance.

Beyond this and when taken individually, receivables for which there is no indication of actual impairment, and receivables which, due to their immaterial nature cannot be assessed individually, are impaired using a portfolio-based approach. The amount of the impairment is based on historical default probabilities and loss rates.

Impairments of loans and advances to customers and other banks are recorded in a separate impairment allowance account.
In the event receivables cannot be collected, they are either written off directly and charged to the income statement or derecognised and charged to an existing impairment. If the credit risk no longer applies, the impairment is reversed.

The balance of impairment allowances for receivables recognised on the balance sheet is presented in a separate line item on the assets side of the balance sheet as a charge. The impairment allowance for off-balance sheet transactions (indemnity agreements, credit risks) is recognised as a provision.

Trading assets/trading liabilities

Trading assets include securities, loan receivables (fixed deposits), derivatives (positive fair values) and other financial instruments. Trading liabilities primarily include negative fair values of derivatives, borrowings and other liabilities in the trading portfolio. Financial instruments held for trading are accounted for in the balance sheet at their fair value as at the reporting date.

Derivatives held for trading are shown under trading assets if their fair value, including accrued interest, is positive (dirty price). If the dirty price is negative, they are presented under trading liabilities. Positive and negative fair values are not netted against each other.

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

These balance sheet items also reflect the positive or negative market values of derivative financial instruments held for hedging purposes, which fall into two categories: derivatives held for hedging purposes pursuant to IAS 39 (hedge accounting) and derivatives that do not meet the conditions of IAS 39 (economic hedges).
The measurement of derivative financial instruments classified as hedging instruments according to IAS 39 (hedge accounting) is shown in “Profit/loss from hedge accounting”, while the interest is shown in net interest income. Changes in the value of derivatives that do not meet

the conditions of IAS 39 are included in “Profit/loss from financial instruments – designated at fair value through profit or loss”. The interest is shown in net interest income.

Financial assets – designated at fair value through profit or loss

Due to the fair value option and as a general rule, all financial instruments may, under certain circumstances, be classified irrevocably as fair value through profit or loss. The RLB Steiermark Group applies the fair value option to those situations where, through such a designation, a measurement or recognition inconsistency (accounting mismatch) can be eliminated or reduced significantly, and where the separation of embedded derivatives can be avoided. In addition, financial assets and/or financial liabilities (including derivatives) are also assigned to this category if they are managed on the basis of a documented risk management or investment strategy within the scope of portfolios measured at fair value, and if their performance is reported to the members of the Managing Board on a regular basis.

Changes to fair value are shown in the income statement under “Profit/loss from financial instruments – designated at fair value through profit or loss”, while current interest and dividend income is shown in net interest income.

Financial assets – available for sale

This item includes debt and equity instruments that are allocated to the available-for-sale portfolio. The financial assets presented in this item are measured at fair value.

The interest and dividend income from financial assets classified as AFS is recognised in net interest income. Any foreign currency translation differences in respect of debt instruments are recognised in profit or loss.

Companies carried at equity

Companies carried at equity are presented in a separate line item. The profit/loss (including impairments) from investments in companies carried at equity is shown in the statement of comprehensive income under net interest income. Proportionate changes in equity of companies carried at equity without effect on profit or loss are shown in other comprehensive income.

Intangible assets

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

If the carrying amount of the asset exceeds its recoverable amount, an impairment loss must 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. The reversal of previous impairment losses is limited to the asset’s amortised cost.

Property and equipment

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

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

Period of use	Years
Buildings	10-60
Office furniture and equipment	3-20

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

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

Other assets

Other assets primarily include receivables resulting from supplies of goods and services, tax assets and inventories. Inventories are measured at acquisition cost, taking into account the lower of cost or market principle. Corresponding writedowns are applied if the acquisition value is above the net realisable value on the reporting date or if reduced marketability or prolonged storage periods have impaired the value of the inventories.

Financial liabilities at amortised cost

Financial liabilities, provided they do not constitute trading liabilities or have not been designated as part of the fair value portfolio, are recognised at amortised cost. This item includes liabilities to other banks and customers as well as liabilities evidenced by certificates and subordinated liabilities. Subordinated liabilities essentially comprise supplementary capital as defined by Part 2 Title I Chapter 4 of Regulation (EU) No. 575/2013. The recognised total was reduced by the amount of securities issued by the bank that had been repurchased.

Accrued interest is shown in the respective line item. Premiums and discounts are accrued over the term of the respective item and presented in the income statement.

Financial liabilities – designated at fair value through profit or loss

This item includes those financial liabilities that meet the requirements for the application of the fair value option. These liabilities are measured at fair value on the reporting date. Liabilities to other banks and customers, liabilities evidenced by certificates and subordinated liabilities are also presented under this item. Subordinated liabilities essentially comprise supplementary capital as defined by Part 2 Title I Chapter 4 of Regulation (EU) No. 575/2013. The recognised total was reduced by the amount of securities issued by the bank that had been repurchased.

Changes to fair value are recognised in the income statement under "Profit/loss from financial instruments – designated at fair value through profit or loss", while current interest expenses are shown in interest income. Premiums and discounts are accrued over the term of the respective item and presented in the income statement.

Provisions

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

Post-employment benefits

Pursuant to IAS 19, pension and severance benefits constitute post-employment benefits.

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

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

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

Defined benefit pension plans apply only 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.

Severance benefit obligations apply to employees whose employment relationship with the Group commenced before 1 January 2003. The severance benefit is a one-time payment to which employees are entitled when their employment relationship ends. This entitlement only arises when the employment relationship has lasted at least three years.

Other long-term employee benefits

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

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

For active employees, the actuarial calculation of pension obligations was based on an effective salary increase of 3.70% (2014: 4.00%). The interest rate parameter used was 1.60% (2014: 1.50%), and the expected increase in pension benefits was set between 1.30% (2014: 2.00%) and 2.50% (2014: 2.25%). The different approaches result from differing salary schemes within the RLB Steiermark Group.

According to the current provisions of Austrian law, the retirement age for women and men was set at 62 years (2014: 62 years), taking into account the transitional provisions pursuant to the Austrian Budget Accompanying Act 2011 (BBG 2011, Federal Law Gazette No. 111/2010 dated 30.12.2010) and the Federal Constitutional Act on Retirement Ages (BVG Altersgrenzen, Federal Law Gazette No. 832/1992; federal act governing different retirement ages for men and women under social security).

For all employees who joined the Group up to and including 2002, the severance benefit obligations are determined according to the projected unit credit method referenced above. 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.

To calculate the severance benefit obligations and long-service bonuses (completing 25 or 35 years of service), an interest rate of 1.40% (2014: 1.50%) and an average salary increase between 2.60% (2014: 3.50%) and 3.70% (2014: 4.00%) were assumed (the different approaches result from differing salary schemes within the RLB Steiermark Group). Additionally, annual fluctuation rates determined individually on the basis of employees' years of service were considered in the calculation.

For women and men, the calculations were based on a retirement age of 62 years (2014: 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).

As in previous years, the biometrical basis for the computation of all provisions for social capital was provided by the computational framework for post-employment benefit insurance (AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung – Pagler & Pagler) using the variant for salaried employees.

If plan assets exist (only in the case of pension obligations within the RLB Steiermark Group), 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 balance sheet (IAS 19.131). The difference between the remeasured value of the obligation as of the reporting date and the value forecast at the beginning of the year is referred to as the actuarial gain or loss. Where severance and pension benefit obligations are concerned, IAS 19.57 stipulates that this gain/loss must be recognised directly in equity under retained earnings. Remeasured values of obligations for long-service benefits are recorded in the income statement under the item "General administrative expenses". Contributions to the plan assets are made solely by the employer.

Expenditure on provisions for staff benefits is reported in the statement of comprehensive income under general administrative expenses and under "Actuarial gains and losses from defined benefit plans" in other comprehensive income.

In addition, past service costs resulting from retroactive changes to the plan benefits, as well as the net interest on the net defined benefit liability must be recorded immediately and fully in profit or loss pursuant to IAS 19.156. 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.

The resulting obligation is shown in the balance sheet under "Provisions".

As a result of these plans and other post-employment benefits, the RLB Steiermark Group is subject to insurance underwriting risks, such as longevity risk, interest rate risk and market risk (investment risk).

Other provisions are created 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 liabilities resulting from supplies of goods and services, tax liabilities and other liabilities.

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, consolidated net profit/loss for the year).

Equity includes, among other components, the gains and losses not recognised in the income statement from the valuation of the AFS portfolio (AFS reserve) less the apportionable deferred taxes, the actuarial gains and losses from defined benefit plans and the apportionable deferred taxes, plus the proportionate changes in equity of companies carried at equity without effect on profit or loss and the foreign currency reserve.

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

Tax assets and tax liabilities/income taxes

Income tax is recognised and measured in conformance with IAS 12 using the balance sheet liability method.

Current taxes

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

Deferred taxes

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

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

Deferred income tax assets and liabilities are shown under the separate balance sheet items “Deferred income tax assets" and “Deferred income tax liabilities”.

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

Taxable group of companies pursuant to § 9 KStG (Austrian Corporation Tax Act)

Since the 2011 assessment year, Raiffeisen-Landesbank Steiermark AG has acted as the group parent of a taxable group of companies pursuant to § 9 KStG. Based on the group determination ruling for 2014, in addition to the group parent, the group of companies consists of 8 (2014: 8) other group members. The companies concerned have entered into a tax reconciliation agreement which stipulates that there will be an annual balancing of the tax charges or credits arising from the income of each group member accrued during its membership in the group.

The fully consolidated Landes-Hypothekenbank Steiermark AG has been the group parent of a taxable group of companies since the 2005 assessment year. It has signed a tax contribution agreement (Steuerumlagenvereinbarung) with the group members. In addition to the group parent, Landes-Hypothekenbank Steiermark AG, the taxable group of companies included 14 (2014: 15) further group members in the 2015 assessment year.

Furthermore, the consolidated RLB-Beteiligungs- und Treuhandgesellschaft m.b.H. was also the group parent of a taxable group of companies , which, in addition to RLB-Beteiligungs- und Treuhandgesellschaft m.b.H., included 14 other group members (2014: 15).

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.

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 balance sheet 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.

Under reverse repo agreements, assets are acquired for a consideration subject to a simultaneous undertaking to sell them in the future. Such transactions are shown under the line item "Loans and receivables at amortised cost" in the balance sheet.

Interest expenses from repos and interest income from reverse repos are deferred over the term of the transaction. They are recognised under net interest income.

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 IAS 39. Borrowed securities are neither recognised on the balance sheet nor are they measured.

Trust activities

Assets and liabilities held by the RLB Steiermark Group in its own name but for the account of third parties are not recognised on the balance sheet. Any fee and commission payments arising in the course of these transactions are shown under net fee and commission income.

Leasing

The RLB Steiermark Group distinguishes between finance leases and operating leases. According to IFRS, a lease is classified as a finance lease if it transfers substantially all the risks and rewards associated with the ownership of an asset to the lessee. All other leases are classified as operating leases. The analysis to determine whether the lease should be classified as a finance lease or an operating lease occurs upon inception of the lease. Changes to the lease agreement may necessitate a later reassessment.

Pursuant to IAS 17, if a lease is classified as a finance lease, the present value of the future lease payments and any residual values must be shown as amounts due from the lessee in the balance sheet of the lessor. Where finance leases are concerned, the lessee recognises the leased asset under the relevant tangible fixed asset line item and balances the entry with a corresponding finance lease liability. The RLB Steiermark Group enters into finance lease agreements only as a lessor.

In the case of operating leases, both lessor and lessee recognise the lease payments through profit or loss. The leased asset is capitalised by the lessor, less depreciation.

Latitude of judgement and estimates

The preparation of IFRS consolidated financial statements requires discretionary judgements when applying recognition and measurement 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:

Charges for impairment allowances on loans and advances
At each reporting date, the financial assets measured at amortised cost are reviewed for any decline in value, in order to determine whether any impairment charges must be recognised in profit or loss. Off-balance sheet transactions related to the lending business (guarantees, indemnity agreements, etc.) are likewise analysed for provisioning requirements. In particular, a judgement is made as to whether there are any objective indications of a decline in value caused by any loss event occurring after initial recognition. Furthermore, the amount and timing of future cash flows must be estimated when determining the amount of the impairment charge. Details about the development of risk provisions are outlined in note 13 “Impairment allowances”.

Fair value of financial instruments
Where the market for a financial instrument is not active, fair value is established using a valuation technique or pricing model. Generally, estimates are used for valuation methods and models, the scale of which depends on the complexity of the instrument and the availability of market-based data. Where possible, the input parameters for these models are derived from observable market data. Under certain circumstances, measurement adjustments are necessary to account for additional factors such as model risk, liquidity risk or credit risk. The valuation models are described in the section “Notes on financial instruments” (see notes 31 and 32).

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 those 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 business plans, including a review of the eligible carryforward period. Deferred taxes are not reported separately in the income statement. Details are provided in comprehensive income and in note 10 “Income taxes”, note 25 “Current and deferred income tax assets and liabilities” and note 20 “Other assets”.

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 24 “Provisions”.

Leasing
The basis for the classification of leases 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.

When applying recognition and measurement policies, judgement latitude is exercised in light of the purpose of the consolidated financial statements, which is to provide meaningful information about the Group’s financial position, the results of its operations and cash flows, and about changes in its financial position and the results of its operations.

NOTES TO THE INCOME STATEMENT

1. Net interest income

TEUR	2015	2014
Interest income	**339,285**	**348,706**
From loans and advances to other banks	30,494	32,098
From loans and advances to customers	122,697	130,533
From fixed-income securities	61,100	68,708
From derivative financial instruments	112,385	110,513
Negative interest on liability items	2,909	0
Other interest and similar income	9,700	6,854
Current income	**8,021**	**8,901**
From shares and other variable-yield securities	435	470
From investments in subsidiaries	4,057	4,650
From other equity investments	3,529	3,781
Total interest and similar income	**347,306**	**357,607**
Profit/loss from companies carried at equity	**-958**	**-49,512**
Interest expenses	**-207,202**	**-239,683**
For liabilities to other banks	-24,805	-36,801
For liabilities to customers	-68,039	-64,145
For liabilities evidenced by certificates	-112,653	-138,228
Negative interest on asset items	-881	0
On subordinated debt capital as defined by the CRR	-824	-509
Other interest and similar expenses	**-3**	**0**
Interest and similar expenses – total	**-207,205**	**-239,683**
Total	**139,143**	**68,412**

Due to changes in the presentation of certain derivative instruments, the figures for the prior year were restated. For further details, we refer to the impact on the 2014 income statement discussed in connection with the statement of comprehensive income.

In the year under review, the interest income from financial instruments not measured at fair value in the income statement amounted to TEUR 205,966 (2014: TEUR 215,562). The interest expenses from financial instruments not recognised at fair value through profit or loss came to TEUR 82,023 (2014: TEUR 116,036).

The interest income and expenses resulting from trading activities are part of the net trading income.
Interest and similar income and charges are spread over the term of the respective financial instrument and measured on an accrual basis.

2. Impairment allowances

TEUR	2015	2014
Specific impairment allowances		
Additions to impairment allowances	-111,733	-127,060
Reversals due to non-utilisation	118,821	107,330
Direct write-offs	-501	-793
Recoveries of loans and receivables previously written off	1,566	400
Portfolio-based impairment allowances		
Additions to impairment allowances	-6,923	-3,013
Reversals of impairment allowances	15,536	6,493
Other risk provisions		
Additions to impairment allowances	-33,032	-45,610
Reversals due to non-utilisation	26,731	29,479
Total	**10,465**	**-32,774**

For detailed information on impairment allowances, see note 13 “Impairment allowances”.

3. Net fee and commission income

TEUR	2015	2014
Lending operations	3,181	3,240
Securities operations	13,670	12,648
Payment services	18,314	17,729
Foreign exchange transactions	1,840	1,589
Other banking services	1,863	1,684
Total	**38,868**	**36,890**

In the year under review, fee and commission income amounted to TEUR 55,809 (2014: TEUR 52,678), while fee and commission expenses were TEUR -16,941 (2014: TEUR -15,788).

4. Profit/loss from hedge accounting

TEUR	2015	2014
Revaluation gains/losses on hedged items in fair value hedges	20,218	-135,736
Revaluation gains/losses on hedging derivatives in fair value hedges	-18,380	145,760
Total	**1,838**	**10,024**

The RLB Steiermark Group applies fair value hedge accounting as defined by IAS 39. The main area of application within the Group lies in hedging against fixed income risks arising from transactions on the liabilities side through financial instruments that essentially have identical parameters but are expected to move in the opposite direction.

5. Net trading income

Net trading income comprises all interest and dividend income, interest expenses, fees and commissions plus realised and unrealised fair value changes in the trading portfolio.

TEUR	2015	2014
Interest rate contracts	-7,787	-18,661
Currency contracts	9,272	1,348
Credit derivatives	-13	-51
Other contracts	5	519
Total	**1,477**	**-16,845**

Due to changes in the presentation of certain derivative instruments, the figures for the prior year were restated. For further details, we refer to the impact on the 2014 income statement discussed in connection with the statement of comprehensive income.

6. Profit/loss from financial instruments – designated at fair value through profit or loss

Profit/loss from financial instruments – designated at fair value through profit or loss includes the gains and losses on the disposal and remeasurement of financial assets, financial liabilities and derivatives designated at fair value under the fair value option.

TEUR	2015	2014
Gains and losses from disposals	34,004	2,545
Remeasurement gains and losses	16,119	53,835
Total	**50,123**	**56,380**

Due to changes in the presentation of certain derivative instruments, the figures for the prior year were restated. For further details, we refer to the impact on the 2014 income statement discussed in connection with the statement of comprehensive income.

7. Profit/loss from financial assets – available for sale

Profit/loss from financial assets – available for sale comprises the gains and losses on the disposal and remeasurement of AFS financial instruments.

TEUR	2015	2014
Gains and losses from disposals	**32,650**	**1,046**
Debt instruments	802	696
Equity instruments	31,848	350
Remeasurement gains and losses	**-2,907**	**-18,148**
Depreciation due to impairment	**-2,907**	**-18,148**
Debt instruments	0	-1
Equity instruments	-2,907	-18,147
Total	**29,743**	**-17,102**

Impairment charges on equity instruments (investments) are triggered by changes in planning data and the resultant changes in fair value.

8. General administrative expenses

General administrative expenses break down as follows:

TEUR	2015	2014
Staff costs	**-89,419**	**-88,407**
Wages and salaries	-64,690	-64,344
Social security costs	-17,073	-16,767
Voluntary social benefits	-1,856	-1,759
Expenses for severance payments and pensions	-5,800	-5,537
Other administrative expenses	**-63,030**	**-77,793**
Rental and leasing costs	-2,965	-3,688
IT expenses	-26,201	-37,041
Maintenance costs	-6,212	-8,480
Operating expenses associated with business premises	-3,703	-3,783
Legal and consultancy fees	-6,191	-4,598
Advertising and entertainment expenses	-3,890	-4,271
Staff training expenses	-800	-712
Office costs	-4,753	-7,038
Vehicle costs	-451	-506
Other administrative expenses	-7,864	-7,676
Depreciation	**-17,324**	**-19,177**
Property and equipment	-11,690	-12,737
Intangible assets	-5,634	-6,440
Total	**-169,773**	**-185,377**

9. Other operating profit/loss

Other operating profit/loss includes, inter alia, the income from internal charges for IT services and other taxes, and breaks down as follows:

TEUR	2015	2014
Profit/loss from the disposal of property and equipment and of intangible assets	-1,003	-549
Other operating income	76,897	92,596
Other taxes	-13,630	-14,227
Contributions to government-mandated protection schemes	-5,133	0
Other operating expenses	-3,976	-5,223
Total	**53,155**	**72,597**

The line item "Other taxes" includes, inter alia, the stability fee (Stabilitätsabgabe) charged in Austria since 2011 in the amount of TEUR 13,545 (2014: TEUR 14,004).

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 government-mandated protection schemes as of 2015.

Pursuant to § 8 (1) of the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), Raiffeisen-Landesbank Steiermark AG and Landes-Hypothekenbank Steiermark AG (as institutions based in Austria and which accept deposits) are both part of the single protection scheme pursuant to § 1 (1) (1) ESAEG. ESAEG requires each protection scheme to establish a deposit protection fund that must be funded (via an annual contribution payable by the member institutions) with a statutory minimum of 0.8% of the total covered deposits of the member institution. Based on the transitional provisions prescribed in § 59 (3) ESAEG, the role of the protection scheme of the Raiffeisen Banking Group in Austria will be performed by the Austrian Raiffeisen deposit protection guarantee scheme (Österreichische Raiffeisen Einlagensicherung (ÖRE)) until 31 December 2018. For the state mortgage banks (Landes-Hypothekenbanken), it will be performed by Hypo-Haftungs-GmbH, which has been established by the Association of Austrian State Mortgage Banks. Obligations arise for Raiffeisen-Landesbank Steiermark AG and Landes-Hypothekenbank Steiermark AG from the mandatory membership prescribed in §§ 8 and 45 ESAEG.

To ensure adequate funding of the statutory deposit protection scheme (by establishing an ex-ante fund as defined by § 13 ESAEG), credit institutions are required to make annual contributions pursuant to § 21 ESAEG. The contribution amount stipulated by § 23 ESAEG is determined on the basis of the institution's covered deposits and the risk profile to which it is exposed. Because ESAEG became effective on 14 August 2015, only half of the annual contribution amount had to be paid in the 2015 financial year. In 2015, Raiffeisen-Landesbank Steiermark AG made a cash contribution of TEUR 210, while the proportional contribution of Landes-Hypothekenbank Steiermark AG totalled TEUR 165. No payment commitments as defined by § 7 (1) (13) ESAEG were used.

Additionally, in the event the funds held to cover depositor claims are insufficient, protection schemes can levy special annual contributions up to a maximum of 0.5% of the total of the covered deposits held by the member institutions. In individual cases, that threshold may be exceeded with FMA approval. The special contribution amount is determined according to § 22 ESAEG relative to the most recent annual contribution as a proportion of the total of the most recent annual contributions of all members of the protection scheme. In the 2015 financial year, no special contributions were levied.

As at 1 January 2019, the role of the sectoral protection schemes will be transferred to the single protection scheme to be set up by the Austrian Federal Economic Chamber (WKO).

In the event compensation is paid out for secured investment services as defined by § 49 ESAEG (investor compensation), the contribution of each individual institution per financial year amounts to a maximum of 1.5% of the assessment base pursuant to Art. 92 (3) (a) of the EU Capital Requirements Regulation (CRR), plus 12.5 times the minimum capital requirement for the position risk pursuant to Part 3 Title IV Chapter 2 CRR. In the 2015 financial year, no investor compensation was paid.

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

To ensure adequate funding of the statutory resolution financing arrangement (by establishing an ex-ante fund as defined by § 123 BaSAG), credit institutions are required to make regular contributions pursuant to § 125 BaSAG. As stipulated by § 126 BaSAG, the amount of those contributions is calculated as a ratio of the institution's liabilities, less its secured deposits, to the aggregate liabilities, less the secured deposits of all institutions authorised in Austria. Furthermore, these contributions must be weighted according to the respective institution's risk profile. In 2015, the RLB Steiermark Group contributed a total of TEUR 4,758. No irrevocable payment commitments were used.

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

The contributions to the EU deposit protection scheme pursuant to ESAEG, and the contributions to the banking resolution fund pursuant to BaSAG, were paid for the first time during the year under review.

In the previous year, due to the IPS agreement that took effect in 2014, contributions were paid to the institutional protection schemes at the state and federal levels, and no longer to sectoral support institutions. After-tax profits were used to create a special IPS provision in the amount of the contributions to be paid, which was increased by TEUR 3,345 during the 2015 financial year. This provision, reflected under retained earnings, totalled TEUR 8,074 (2014: TEUR 4,729) at the reporting date.

10. Income taxes

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

TEUR	2015	2014
Current income taxes	-2,869	461
Deferred taxes	250	12,386
Total	**-2,619**	**12,847**

For detailed information on deferred taxes, see note 25 "Current and deferred income tax assets and liabilities".

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

TEUR	2015	2014
Consolidated net profit/loss for the year before taxes	**155,039**	**-7,795**
Theoretical income tax expense in the year under review, based on the domestic income tax rate of 25%	-38,760	1,949
Associates carried at equity	-239	-12,378
Reduction in tax burden due to tax-exempt income from equity investments and other income	2,253	6,771
Increase in tax burden due to expenses not deductible for tax purposes	-4,732	-5,946
Changes in realisability of loss carryforwards and impairments to equity investments	19,652	3,856
Change in deferred taxes due to utilisation of tax losses or temporary differences not previously recognised	4,910	14,342
Deferred tax liability resulting from the depreciation of a deferred tax asset	-1,046	-1,728
One-off effect from the sale of equity interests	7,719	0
Other adjustments	7,624	5,981
Actual tax income/actual tax burden	**-2,619**	**12,847**
Tax rate (%)	-1.69%	164.81%

SEGMENT REPORTING

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

Such reporting takes the form of a multi-stage breakeven analysis. Income and expenses are allocated to the originating segments. Income positions are the net interest income, net fee and commission income, net trading income and other operating profit/loss. Net interest income is calculated on the basis of the market interest rate method.

The charges for impairment allowances on loans and advances capture the net impairment allowance and provisions for counterparty risks, direct write-offs and the recovery of loans and advances previously written off. General administrative expenses include direct and indirect costs. Direct costs (staff costs and other administrative expenses) are incurred by individual business segments, while indirect costs are allocated on the basis of internal accounting prices or predefined ratios.

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

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

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

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

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

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

Corporate

In the "Corporate" banking segment, the RLB Steiermark Group concentrates its strategic focus on the industry sector, SMEs, institutional customers and the public sector. This segment covers traditional financing services for corporate customers, trade and export finance, documentary business and the financing of local authorities and financial institutions. Traditional financing services include the provision of working capital, investment finance and trade finance using a wide variety of financing instruments (e.g. current account loans, cash advances, direct loans, factoring, venture capital finance, subsidised export finance arrangements). Other areas of responsibility include the preparation of guarantees and letters of credit for Austrian and international customers.

Retail

The "Retail" banking segment comprises the Group's retail and private banking operations, as well as business relations with physicians and the liberal professions. Retail banking customers are serviced at 21 banking outlets in Styria as well as in the central consultancy centres for private banking and physicians and the liberal professions. This segment targets all private individuals, small businesses and self-employed customers. The retail banking segment primarily offers standardised products such as passbook accounts, savings deposits, time deposits, current and salary accounts, personal loans, mortgages and other loans. In the private banking segment, product emphasis is on securities operations.

Capital market and treasury

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

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

Equity investments

The "Equity investments" segment comprises the Group's portfolio of equity investments in banks and financial institutions, including associates that are carried 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 RZB and its subsidiary, RBI. All activities connected with the Raiffeisen banks are also included in this segment. However, if such activities pertain to the interbank business, they are included in the capital market and treasury segment.

Other

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

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

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

The cost/income ratio is the proportion of general administrative expenses to the sum of net interest income, net fee and commission income, net trading income, profit/loss from investments in companies carried at equity and other operating profit/loss.

2015 financial year

TEUR	Corporate	Retail	Capital market and treasury	Equity invest-ments	Other	Recon-ciliation	Total
Net interest income	66,657	21,284	63,202	10,829	3,511	-26,340	139,143
Charges for impairment allowances on loans and advances	25,923	-1,740	-694	0	-13,024	0	10,465
Net interest income after impairment charges	**92,580**	**19,544**	**62,508**	**10,829**	**-9,513**	**-26,340**	**149,608**
Net fee and commission income	11,310	12,760	5,572	10,045	115	-934	38,868
Net trading income	456	626	-1,349	0	117	1,627	1,477
Profit/loss from financial assets/liabilities[1)]	5,067	0	53,728	-2,474	0	25,383	81,704
Administrative expenses (including depreciation)	-32,120	-35,741	-15,041	-55,337	-88,970	57,436	-169,773
Other operating profit/loss	7,761	3,058	582	44,606	47,884	-50,736	53,155
Consolidated net profit/loss for the year before taxes	**85,054**	**247**	**106,000**	**7,669**	**-50,367**	**6,436**	**155,039**
Ø allocated equity	194,581	41,100	366,710	595,314	-	-	1,197,705
Return on equity	43.71 %	0.60 %	28.91 %	1.29 %	-	-	12.94 %
Cost/income ratio	37.27 %	94.73 %	22.12 %	84.51 %	>100 %	-	72.98 %

1) The income statement line items “Profit/loss from financial instruments – designated at fair value through profit or loss”, “Profit/loss from financial assets – available for sale” and “Profit/loss from hedge accounting” are aggregated under “Profit/loss from financial assets/liabilities”.

The income from investments in companies carried at equity, in the amount of TEUR -958 (2014: TEUR -49,512) relates in its entirety to the “Equity investments” segment. The carrying amount of the associates, totalling TEUR 801,233 (2014: TEUR 823,334) is also attributable to the “Equity investments” segment.

2014 financial year

TEUR	Corporate	Retail	Capital market and treasury	Equity invest-ments	Other	Recon-ciliation	Total
Net interest income	65,784	21,718	43,559	-52,136	3,129	-13,642	68,412
Charges for impairment allowances on loans and advances	-12,594	-4,633	-47	0	-15,500	0	-32,774
Net interest income after impairment charges	**53,190**	**17,085**	**43,512**	**-52,136**	**-12,371**	**-13,642**	**35,638**
Net fee and commission income	10,822	12,550	4,603	9,606	235	-926	36,890
Net trading income	396	459	5,379	0	17	-23,096	-16,845
Profit/loss from financial assets/liabilities[1)]	6,021	0	41,468	-17,797	0	19,610	49,302
Administrative expenses (including depreciation)	-30,820	-35,432	-16,384	-55,031	-105,077	57,367	-185,377
Other operating profit/loss	8,352	2,663	-192	44,861	69,711	-52,798	72,597
Consolidated net profit/loss for the year before taxes	**47,961**	**-2,675**	**78,386**	**-70,497**	**-47,485**	**-13,485**	**-7,795**
Ø allocated equity	264,981	47,203	337,931	592,290	-	-	1,242,405
Return on equity	18.10 %	-	23.20 %	-	-	-	-
Cost/income ratio	36.11 %	94.77 %	30.71 %	>100 %	>100 %	-	>100 %

1) The income statement line items “Profit/loss from financial instruments – designated at fair value through profit or loss”, “Profit/loss from financial assets – available for sale” and “Profit/loss from hedge accounting” are aggregated under “Profit/loss from financial assets/liabilities”.

NOTES TO THE BALANCE SHEET

11. Cash and balances with central banks

TEUR	2015	2014
Cash on hand	18,441	18,485
Balances with central banks	28,777	22,578
Total	**47,218**	**41,063**

A more detailed presentation of the development of this balance sheet item is set out in the “Cash flow statement”.

12. Loans and receivables at amortised cost

All receivables recognised under this item are categorised as “loans and receivables”. Receivables designated under the fair value option are shown in the balance sheet item “Financial assets – designated at fair value through profit or loss”.

TEUR	2015	2014
Loans and advances to other banks	2,849,699	2,785,100
Loans and advances to customers	5,603,149	5,686,211
Total	**8,452,848**	**8,471,311**

Breakdown of loans and advances to other banks at amortised cost:

TEUR	2015	2014
Demand deposits	882,213	913,522
Time deposits	1,809,797	1,685,201
Other loans and advances	157,689	186,377
Loans and advances to other banks before impairment charge	**2,849,699**	**2,785,100**
Provisions for losses on loans and advances to other banks	-1,033	-226
Total	**2,848,666**	**2,784,874**

Breakdown of loans and advances to customers at amortised cost:		
TEUR	**2015**	**2014**
Loans and advances to customers before impairment charge	5,603,149	5,686,211
Receivables due from customers before impairment charge	**5,603,149**	**5,686,211**
Provisions for losses on loans and advances to customers	-313,371	-394,748
Total	**5,289,778**	**5,291,463**

13. Impairment allowances

The impairment allowances on loans and advances (which are capitalised on the assets side of the balance sheet) and the provisions for off-balance sheet transactions (guarantees, indemnity agreements and credit risks) are shown here. The portfolio-based impairment allowances reflect the assumptions regarding impairments of the loan portfolio that have already occurred but are not yet known on the reporting date.

2015 financial year

TEUR	Opening balance at 1 January	Addition	Utilisation	Reversal	Closing balance at 31 December
Provisions for losses on loans and advances to other banks					
Portfolio-based provisions for impairment losses	226	890	0	83	1,033
Balance	226	890	0	83	1,033
Provisions for losses on loans and advances to customers					
Specific provisions for impairment losses	371,923	111,733	64,869	118,821	299,966
Portfolio-based provisions for impairment losses	22,825	6,033	0	15,453	13,405
Balance	**394,748**	**117,766**	**64,869**	**134,274**	**313,371**
Balance of impairment allowances (netted against the assets side)	**394,974**	**118,656**	**64,869**	**134,357**	**314,404**
Off-balance sheet transactions	39,564	33,032	0	26,731	45,865
Total	**434,538**	**151,688**	**64,869**	**161,088**	**360,269**

Interest income from impaired financial assets totalled TEUR 6,787 for the 2015 financial year (2014: TEUR 6,986).

2014 financial year

TEUR	Opening balance at 1 January	Addition	Utilisation	Reversal	Closing balance at 31 December
Provisions for losses on loans and advances to other banks					
Portfolio-based provisions for impairment losses	208	18	0	0	226
Balance	208	18	0	0	226
Provisions for losses on loans and advances to customers					
Specific provisions for impairment losses	384,151	127,060	-31,958	-107,330	371,923
Portfolio-based provisions for impairment losses	26,323	2,995	0	-6,493	22,825
Balance	**410,474**	**130,055**	**-31,958**	**-113,823**	**394,748**
Balance of impairment allowances (netted against the assets side)	**410,682**	**130,073**	**-31,958**	**-113,823**	**394,974**
Off-balance sheet transactions	24,580	45,610	-1,147	-29,479	39,564
Total	**435,262**	**175,683**	**-33,105**	**-143,302**	**434,538**

14. Trading assets

Trading assets comprise the following held-for-trading loans and receivables and derivative financial instruments held for trading and hedging purposes.

TEUR	2015	2014
Bonds and other fixed-income securities	94,988	117,159
Positive fair values (dirty price) of derivative contracts	780,925	945,770
Loans and receivables	987,288	746,350
Total	**1,863,201**	**1,809,279**

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

Breakdown of the positive fair values of derivative contracts:

TEUR	2015	2014
Positive fair values of derivatives held for trading	**94,525**	**139,264**
From interest rate derivatives	92,932	135,135
From currency derivatives	1,593	4,129
Positive fair values from credit derivatives	**0**	**3**
Positive fair values of derivatives held for hedging purposes (IAS 39)	**90,271**	**111,723**
From interest rate derivatives	90,271	111,723
Positive fair values of derivatives held for hedging purposes (economic hedges)	**596,129**	**694,780**
From interest rate derivatives	592,122	691,998
From currency derivatives	4,007	2,782
Total	**780,925**	**945,770**

15. Financial assets – designated at fair value through profit or loss

TEUR	2015	2014
Bonds and other fixed-income securities	927,269	1,020,329
Shares and other variable-yield securities	12,180	11,368
Other loans and receivables (debt instruments)	152,438	159,812
Designated institutional funds	230,390	220,592
Total	**1,322,277**	**1,412,101**

The designated institutional funds consist in their entirety of the financial instruments held by a joint ownership special fund.

Breakdown of bonds and other fixed-income securities – designated at fair value:

TEUR	2015	2014
Public-sector debt instruments eligible for refinancing	282,159	286,410
Bonds and debt securities issued by other issuers	645,110	733,919
Total	**927,269**	**1,020,329**
of which:		
Listed	927,269	1,020,329

Breakdown of shares and other variable-yield securities – designated at fair value:

TEUR	2015	2014
Other securities	12,180	11,368
Total	**12,180**	**11,368**
of which:		
Unlisted	12,180	11,368

Breakdown of loans and receivables – designated at fair value:

TEUR	2015	2014
Debt instruments (receivables evidenced by certificates)	152,438	159,812
Total	**152,438**	**159,812**

Breakdown of financial assets – designated at fair value by selected countries as at 31.12.2015:

Country	Sovereigns	Banks	Funds	Total
France	0	79,151	0	79,151
Italy	0	5,206	0	5,206
Total	0	84,357	0	84,357

Breakdown of financial assets – designated at fair value by selected countries as at 31.12.2014:

Country	Sovereigns	Banks	Funds	Total
France	0	98,964	0	98,964
Italy	0	5,401	0	5,401
Total	**0**	**104,365**	**0**	**104,365**

16. Financial assets – available for sale

TEUR	2015	2014
Bonds and other fixed-income securities	1,252,889	1,424,120
Shares and other variable-yield securities	8,396	8,624
Other loans and receivables (debt instruments)	200,180	212,899
Equity instruments	80,652	123,308
Total	**1,542,117**	**1,768,951**

Financial assets – available for sale include impaired assets for which, in the financial year under review, an impairment of TEUR 2,907 (2014: TEUR 18,148) was recognised in the income statement.

Breakdown of bonds and other fixed-income securities – available for sale:

TEUR	2015	2014
Public-sector debt instruments eligible for refinancing	291,750	306,530
Bonds and debt securities issued by other issuers	961,139	1,117,590
Total	**1,252,889**	**1,424,120**
of which:		
Listed	1,252,889	1,424,120

Breakdown of shares and other variable-yield securities – available for sale:

TEUR	2015	2014
Other securities	8,396	8,624
Total	**8,396**	**8,624**
of which:		
Unlisted	8,396	8,624

Breakdown of loans and receivables – available for sale:

TEUR	2015	2014
Debt instruments (receivables evidenced by certificates)	200,180	212,899
Total	**200,180**	**212,899**

Breakdown of financial assets – available for sale by selected countries as at 31.12.2015:

Country	Sovereigns	Banks	Total	AFS reserve
France	52,635	110,509	163,144	7,948
Italy	0	3,614	3,614	259
Total	**52,635**	**114,123**	**166,758**	**8,207**

Breakdown of financial assets – available for sale by selected countries as at 31.12.2014:

Country	Sovereigns	Banks	Total	AFS reserve
France	9,596	208,181	217,777	13,298
Italy	0	3,734	3,734	350
Total	**9,596**	**211,915**	**221,511**	**13,648**

17. Companies carried at equity

TEUR	2015	2014
Banks	801,233	823,334
Total	**801,233**	**823,334**

This balance sheet item exclusively comprises the equity investment (15.32%) in Raiffeisen Zentralbank Österreich AG (RZB). The Chief Executive Officer of Raiffeisen-Landesbank Steiermark AG is a member of the Supervisory Boards of both Raiffeisen Zentralbank Österreich AG (RZB) and Raiffeisen Bank International AG (RBI). As at 31.12.2015, RZB held a 60.7% interest in RBI, a listed company.

Having adjusted its strategy in individual markets, RBI gained the latitude to react to changed operating conditions that arose, for example, from the political crisis involving Russia and Ukraine. In 2015, the European Bank for Recovery and Development (EBRD) became a 30% shareholder in the RBI subsidiary Raiffeisen Bank Aval JSC (RBA), a leading universal bank in Ukraine. In connection with ZUNO BANK AG, a direct bank operating in the Czech Republic and Slovakia, RBI is evaluating whether any further internal and external steps should be

taken, such as the sale of Zuno in its entirety, incorporating it fully into other RBI Group units or conducting a partial sale. Solutions are also being developed for subsidiary banks in other countries, such as Poland.

Due to negative factors (particularly current political events in Poland, the risks linked to those events, uncertainties associated with the planned sale of the Polish subsidiary bank, and restrained future expectations relative to interest rate and economic development), the equity investment in RZB as at 31.12.2015 was subjected to an impairment test. A value in use based on the present value of the cash flows to be expected (discounted cash flow method) of the companies in the Group was set as the value to be attained. The five-year plans used for the period by the RZB Group's operating units were subjected to detailed analysis based on the planning activities that had been approved by the respective management and were valid at the time the impairment test was conducted. A risk-adequate capitalisation interest rate was used to discount the cash flows that can be achieved with the object of the valuation. For RBI AG, the most significant asset of RZB, a weighted average capital cost of 11.03% was used. The value in use thus determined led to an impairment charge of TEUR 25,674.

Any change in RBI's discount rate by plus or minus 100 basis points (BP) would result either in a reduction or increase in the corporate value of the RZB Group by -9.61% or +12.19%, respectively.

Raiffeisen-Landesbank Steiermark AG is not exposed to any direct country risks. However, risks and uncertainties that affect the valuation and further development of RZB arise from the macroeconomic environment of RBI, its major subsidiary, and from the changes that impact its business model.

Following an audit of Raiffeisen Zentralbank Österreich AG (RZB) by the Austrian Financial Reporting Enforcement Panel (AFREP), the previous year's profit/loss reflected in RZB's consolidated financial statements had to be restated by TEUR -75,482. Of that restated amount, a share of TEUR -11,560 was attributable to the RLB Steiermark Group. Like the Group's proportionate net profit/loss for the 2015 financial year, the amount was included in "Profit/loss from investments in companies carried at equity".

18. Intangible assets

2015 financial year

	Historical cost of acquisition/production				Depreciation		Carrying amounts	
TEUR	At 1 January	Additions1)	Disposals	Transfers	Accumu-lated	Financial year	At 31 December	At 1 January
Software	68,292	2,109	3,236	5	60,051	5,634	7,119	11,394

[1] Additions to intangible assets exclusively relate to software acquisitions.

2014 financial year

	Historical cost of acquisition/production			Depreciation		Carrying amounts	
TEUR	At 1 January	Additions1)	Disposals	Accumu-lated	Financial year	At 31 December	At 1 January
Software	63,112	6,132	952	56,898	6,440	11,394	11,702

[1] Additions to intangible assets exclusively relate to software acquisitions.

Amortisation of intangible assets is shown under administrative expenses in the income statement.

19. Property and equipment

2015 financial year

	Historical cost of acquisition/production				Currency translation	Depreciation		Carrying amounts	
TEUR	At 1 January	Additions	Disposals	Transfers	Financial year	Accumu-lated	Financial year	At 31 De-cember	At 1 January
Land and buildings used by the Group for its own operations	159,954	1,859	6,328	-478	0	31,571	3,363	123,436	128,566
Other land and buildings	7,983	150	3	0	0	3,523	149	4,607	4,608
Office furniture and equipment, other property and equipment	99,082	6,611	15,085	473	-37	66,637	8,178	24,407	27,546
Total	**267,019**	**8,620**	**21,416**	**-5**	**-37**	**101,731**	**11,690**	**152,450**	**160,720**

2014 financial year

	Historical cost of acquisition/production			Currency translation	Depreciation		Carrying amounts	
TEUR	At 1 January	Additions	Disposals	Financial year	Accumu-lated	Financial year	At 31 De-cember	At 1 January
Land and buildings used by the Group for its own operations	162,753	5,496	8,295	0	31,390	3,418	128,566	132,492
Other land and buildings	8,107	0	124	0	3,375	147	4,608	4,797
Office furniture and equipment, other property and equipment	104,197	10,003	15,043	-75	71,609	9,172	27,546	32,290
Total	**275,057**	**15,499**	**23,462**	**-75**	**106,374**	**12,737**	**160,720**	**169,579**

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

20. Other assets

TEUR	2015	2014
Tax assets	262	2,027
Other assets	155,047	87,820
Total	**155,309**	**89,847**

Breakdown of other assets:

TEUR	2015	2014
Accruals and deferred items	3,635	3,070
Other assets	151,412	84,750
Total	**155,047**	**87,820**

21. Financial liabilities at amortised cost

The liabilities shown in this item are measured at amortised cost. Liabilities designated under the fair value option are shown in the balance sheet item “Financial liabilities – designated at fair value through profit or loss”.

TEUR	2015	2014
Liabilities to other banks	3,658,884	3,474,780
Liabilities to customers	2,644,364	2,516,260
Liabilities evidenced by certificates	1,738,804	1,627,667
Subordinated liabilities	26,125	18,105
Total	**8,068,177**	**7,636,812**

Breakdown of liabilities to other banks at amortised cost:

TEUR	2015	2014
Demand deposits	2,068,048	1,913,137
Time deposits	1,128,124	1,094,356
Borrowed funds	462,712	467,287
Total	**3,658,884**	**3,474,780**

Breakdown of liabilities to customers at amortised cost:

TEUR	2015	2014
Sight deposits	1,486,121	1,374,626
Time deposits	412,526	365,158
Savings deposits	745,717	776,476
Total	**2,644,364**	**2,516,260**

Breakdown of liabilities evidenced by certificates at amortised cost:

TEUR	2015	2014
Bonds issued by the Group	1,103,170	1,178,485
Other liabilities evidenced by certificates	635,634	449,182
Total	**1,738,804**	**1,627,667**

Breakdown of subordinated liabilities at amortised cost:

TEUR	2015	2014
Supplementary capital	26,125	18,105
Total	**26,125**	**18,105**

The subordinated loans constitute subordinated liabilities as defined in § 51 (9) BWG and § 45 (4) BWG and therefore, pursuant to Article 63 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR), have been included in instruments of supplementary capital with effect from 1.1.2014.

22. Trading liabilities

Trading liabilities include, among other elements, deposits from banks and the negative fair values of derivative financial instruments held for trading and hedging purposes.

TEUR	2015	2014
Negative fair values (dirty price) of derivative contracts	266,324	291,154
Liabilities to other banks	579,126	235,893
Total	**845,450**	**527,047**

Breakdown of the negative fair values of derivative contracts:

TEUR	2015	2014
Negative fair values of derivatives held for trading	**114,381**	**134,440**
From interest rate derivatives	102,420	120,424
From currency derivatives	11,961	14,016
Negative fair values of derivatives held for hedging purposes (IAS 39)	**79**	**0**
From interest rate derivatives	79	0
Negative fair values of derivatives held for hedging purposes (economic hedges)	**151,864**	**156,714**
From interest rate derivatives	120,965	151,411
From currency derivatives	30,899	5,303
Total	**266,324**	**291,154**

Breakdown of liabilities to other banks:

TEUR	2015	2014
Time deposits	79,107	85,890
Borrowed funds	500,019	150,003
Total	**579,126**	**235,893**

23. Financial liabilities – designated at fair value through profit or loss

TEUR	2015	2014
Liabilities to other banks	199,319	247,380
Liabilities to customers	1,226,294	1,338,021
Liabilities evidenced by certificates	2,281,511	3,064,293
Total	**3,707,124**	**4,649,694**

Breakdown of liabilities to other banks – designated at fair value:

TEUR	2015	2014
Time deposits	48,461	51,214
Borrowed funds	150,858	196,166
Total	**199,319**	**247,380**

Breakdown of liabilities to customers – designated at fair value:

TEUR	2015	2014
Time deposits	1,226,294	1,338,021
Total	**1,226,294**	**1,338,021**

Breakdown of liabilities evidenced by certificates – designated at fair value:

TEUR	2015	2014
Bonds issued by the Group	960,681	1,461,738
Other liabilities evidenced by certificates	1,320,830	1,602,555
Total	**2,281,511**	**3,064,293**

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

The application of the fair value option to financial liabilities results in a carrying amount of TEUR 381,780 (2014: TEUR 488,144) above the future repayment amount of these liabilities.

A change to the default probability assessment for RLB Steiermark's own credit risk, particularly for the credit risk of the securities issued by Pfandbriefbank (Österreich) AG on behalf of Landes-Hypothekenbank Steiermark AG, prompted a fair value reduction of TEUR 28,968 in

the 2015 financial year (2014: TEUR 22,679 increase). The cumulative amount of fair value changes attributable to changes in the bank's own credit risk totalled TEUR 42,499 as at 31 December 2015 (2014: TEUR 13,531). Overall, these adjustments caused a reduction in the fair values of financial liabilities – designated at fair value through profit or loss.

The proportion of the change in a financial instrument's fair value that is attributable to changes in the borrower's rating is calculated using a differential method. This method determines the effect of the spread change (historic versus actual) on the fair value of a financial instrument on the basis of sensitivity measures derived from rating scores.

24. Provisions

TEUR	2015	2014
Long-term employee provisions	**74,361**	**76,655**
Severance benefits and similar obligations	37,905	38,454
Post-employment benefits and similar obligations	30,959	32,598
Other long-term employee benefits	5,497	5,603
Other provisions	**48,939**	**43,277**
Litigation	2,005	2,082
Off-balance sheet transactions	45,866	39,564
Other	1,068	1,631
Total	**123,300**	**119,932**

Long-term employee provisions

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

Severance benefit obligations changed as follows:

TEUR	2015	2014
Present value of defined benefit obligations (DBO) at 1 January	38,454	33,178
Obligations transferred without being recognised in the income statement	17	0
Service costs	1,582	1,409
Interest costs	563	977
Severance benefit payments	-1,390	-1,694
Actuarial gain/loss arising from experience adjustments	-168	-425
Actuarial gain/loss arising from changes in demographic parameters	12	-3
Actuarial gain/loss arising from changes in financial parameters	-1,165	5,012
Present value of defined benefit obligations (DBO) at 31 December	**37,905**	**38,454**

Post-employment benefit obligations changed as follows:

TEUR	2015	2014
Present value of defined benefit obligations (DBO) at 1 January	39,129	34,261
Service costs	15	11
Interest costs	570	992
Transfers to defined contribution plan	0	0
Payments to beneficiaries	-1,726	-2,248
Actuarial gain/loss arising from experience adjustments	-653	215
Actuarial gain/loss arising from changes in financial parameters	-147	5,898
Present value of defined benefit obligations (DBO) at 31 December	**37,188**	**39,129**

Plan assets changed as follows:

TEUR	2015	2014
Fair value of plan assets at 1 January	6,531	6,336
Interest income from plan assets	95	183
Transfers to defined contribution plan	0	0
Contributions to plan assets	95	150
Taxes and costs for employer's contributions	-6	-10
Retirement benefits paid from plan assets	-447	-440
Actuarial gain/loss for the financial year	-39	312
Fair value of plan assets at 31 December	**6,229**	**6,531**

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

TEUR	2015	2014
Present value of defined benefit obligations (DBO) at 31 December	37,188	39,129
Fair value of plan assets at 31 December	-6,229	-6,531
Net obligations at 31 December	**30,959**	**32,598**

Breakdown of **pension obligations:**

TEUR	2015	2014
Present value of defined post-employment benefit obligations (DBO) at 31 December	37,188	39,129
Active workforce	583	1,576
Retirees	36,605	37,553

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

%	2015	2014
Bonds and other fixed-income securities	54.03	48.66
Shares and other variable-yield securities	26.81	32.55
Real estate	4.34	3.10
Other	14.82	15.69
Total	**100.00**	**100.00**

During the reporting year, most of the plan asset instruments were traded on an active market; fewer than 22% were quoted on an inactive market.

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

Valida Pension AG utilises an asset/risk management process (ARM process). Under this process, the risk-bearing capacity of each pension and staff benefit plan (Veranlagungs- und Risikogemeinschaft, VRG) managed by Valida is evaluated once a year taking as a basis its structure on the liabilities side of the balance sheet. The investment structure of the plan is derived from this risk-bearing capacity. The investment structure also takes account of requirements specified and documented by the customer.
The defined investment structure is implemented in the fund named "VRG 7", in which the amounts accrued for RLB Steiermark are invested using a concept-based investment tool. This means that the weighting of predefined asset classes moves between bandwidths according to objective criteria derived from market trends. In addition, the equity components are hedged during periods of stress in the financial markets.

Return on plan assets:

TEUR	2015	2014
Actual losses/return on plan assets	56	496

Provisions for long-service bonuses changed as follows:

TEUR	2015	2014
Present value of defined benefit obligations (DBO) at 1 January	5,603	4,798
Obligations transferred without being recognised in the income statement	10	0
Service costs	321	274
Interest costs	80	138
Payments	-511	-290
Actuarial gain/loss for the financial year	-6	683
Present value of defined benefit obligations (DBO) at 31 December	**5,497**	**5,603**

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

Severance benefits:

TEUR	2015	2014	2013	2012	2011
Present value of obligations	37,905	38,454	33,178	32,614	29,050
Experience adjustments on obligations	168	372	301	-453	458

Post-employment benefits:

TEUR	2015	2014	2013	2012	2011
Present value of obligations	37,188	39,129	34,261	33,931	33,222
Fair value of plan assets	6,229	6,531	6,336	7,194	8,678
Net obligations	**30,959**	**32,598**	**27,925**	**26,737**	**24,544**
Experience adjustments on obligations	653	-215	-613	-283	-550
Experience adjustments on plan assets	39	-312	-128	-54	646

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

Long-service bonuses:

TEUR	2015	2014	2013	2012	2011
Present value of obligations	5,497	5,603	4798	4,966	4,664
Experience adjustments on obligations	-32	46	313	66	-23

Breakdown of expenditure on defined contribution plans:

TEUR	2015	2014
Expenditure on defined contribution plans	2,626	2,631
of which on defined contribution plans (pension fund)	2,270	2,294
of which on the staff benefit fund (Mitarbeitervorsorgekasse)	356	336

The expenditure on defined contribution plans for members of the Managing Board amounted to TEUR 105 during the reporting year (2014: TEUR 105).

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

2015 financial year

	Actuarial interest rate		Projected trend in salaries		Discount for employee turnover	
	+0.50%	**-0.50%**	**+ 0.50%**	**- 0.50%**	**+ 0.50%**	**- 0.50%**
Severance payments	-4.41%	4.74%	4.61%	-4.34%	-2.23%	0.63%
Pension plans	-5.26%	5.77%	5.71%	-5.27%	-	-

2014 financial year

	Actuarial interest rate		Projected trend in salaries		Discount for employee turnover	
	+0.50%	**-0.50%**	**+ 0.50%**	**- 0.50%**	**+ 0.50%**	**- 0.50%**
Severance payments	-4.66%	5.03%	4.88%	-4.58%	-2.42%	0.79%
Pension plans	-5.41%	5.94%	8.60%	-8.14%	-	-

Average maturities (duration) of defined benefit plans at 31.12.2015:

	Average maturities (duration)	
	2015	**2014**
Severance payments	7 to 10 years	8 to 10 years
Pension plans	9 to 13 years	10 to 13 years

Other provisions

2015 financial year

TEUR	At 1 January	Transfers	Addition	Reversal	Utilisation	Interest rate effects	At 31 December
Litigation	2,082	0	0	-77	0	0	2,005
Off-balance sheet transactions	39,564	0	33,033	-26,731	0	0	45,866
Other	1,631	-1,089	626	-147	-14	61	1,068
Total	**43,277**	**-1,089**	**33,659**	**-26,955**	**-14**	**61**	**48,939**

Provisions for off-balance sheet transaction comprise provisions for recourse claims from guarantees, indemnity agreements and other credit risks.

The Austrian Financial Market Authority (FMA), in its capacity as resolution authority pursuant to § 3 (1) of the Austrian Federal Act on the Recovery and Resolution of Banks (BaSAG), decided on 1 March 2015 that since the preconditions for resolution pursuant to § 49 BaSAG had been met, it would immediately suspend all payments on debt instruments issued by HETA ASSET RESOLUTION AG ("HETA") and on its obligations until 31 May 2016 ("HETA moratorium"). Debt instruments issued by Pfandbriefbank (Österreich) AG amounting to EUR 1.2 billion are affected by this moratorium.

In April 2015, an "agreement on the performance and settlement of the joint and several liability pursuant to § 2 of the Austrian Act on the Collective Issuing Body of Austria's State Mortgage Bonds (Pfandbriefstelle Act), together with the settlement of compensation claims in the internal relationship" was concluded between the collective issuing body (Pfandbriefstelle) of Austria's state mortgage banks (Landes-Hypothekenbanken), Pfandbriefbank (Österreich) AG, the individual member institutions, and the state of Carinthia. Based on this agreement, Landes-Hypothekenbank Steiermark AG is obliged, taking into consideration the per capita share allotted to its guarantors, to make available financial means up to EUR 155.0 million to Pfandbriefbank (Österreich) AG for the settlement of outstanding liabilities arising from the HETA bond issues. In return, Pfandbriefbank (Österreich) AG relinquishes all current and future receivables, securities and other rights arising from or in connection with a specific HETA financing instrument to the joint and several debtors making payments. As at 31.12.2015, financial funds totalling EUR 84.0 million were called upon by Pfandbriefbank (Österreich) AG, of which EUR 42.0 million are covered from its own per capita share.

To account for the risk that Pfandbriefstelle will not be able to fully satisfy its payment obligations with respect to the relevant debt instruments and that the creditors of Pfandbriefstelle or Pfandbriefstelle itself could assert claims against Landes-Hypothekenbank Steiermark AG, the other state mortgage banks and the respective guarantors, specific impairment allowances and provisions have been established. In calculating the risk provision, the inventory of assets derived from the published information relating to creditors and investors of HETA, as well as any possible payments from the default guarantee fund of the state of Carinthia and the extent of the possible liability were considered at one-sixteenth each.

Based on the receivables due to HETA as at 31 December 2015 and the unused lines of credit due to Pfandbriefbank (Österreich) AG (when utilised, these would constitute loans and receivables due to HETA) from its own per capita share, the risk provision was increased by TEUR 13,024 and stood at a total of TEUR 28,524 (2014: TEUR 15,500) as at 31 December 2015. Of that amount, specific impairment allowances for loans and receivables account for TEUR 15,449 and provisions for credit risks for TEUR 13,075.

On 21 January 2016, the Carinthian Settlement Payment Fund (Kärntner Ausgleichszahlungs-Fonds, KAF) made an offer pursuant to § 2a of the Austrian Financial Market Stability Act (FinStaG) regarding the purchase of debt instruments issued by HETA ASSET RESOLUTION AG ("HETA"). Specifically, creditors holding senior HETA bonds were offered a 75% buyback quota. The offer period ended on 11 March

2016, and the result of the tender process was announced on 16 March 2016: the two-thirds majority of creditors required for the buyback to take effect could not be secured.

In light of the foregoing factors, the level of the anticipated outflow of funds and the recoverability of potential recourse claims against HETA and the state of Carinthia are subject to uncertainties.

Other provisions relate primarily to provisions for potential compensation claims in relation to negative interest rates amounting to TEUR 607 (2014: TEUR 0), provisions for early retirement benefits totalling TEUR 80 (2014: TEUR 226) and provisions for death benefits to the sum of TEUR 193 (2014: TEUR 182). These are exclusively short-term provisions.

2014 financial year

TEUR	At 1 January	Transfers	Addition	Reversal	Utilisation	Interest rate effects	At 31 December
Litigation	130	743	1,248	0	-39	0	2,082
Off-balance sheet transactions	24,580	0	45,610	-29,479	-1,147	0	39,564
Other	1,245	0	1,198	-205	-607	705	1,631
Total	**25,955**	**743**	**48,056**	**-29,684**	**-1,793**	**705**	**43,277**

25. Current and deferred income tax assets and liabilities

TEUR	2015	2014
Current income tax assets	998	12,046
Deferred tax assets	15,928	8,629
Total	**16,926**	**20,675**

TEUR	2015	2014
Current income tax liabilities	4,025	223
Deferred tax liabilities	9,661	8,979
Total	**13,686**	**9,202**

Net deferred tax assets break down as follows:

TEUR	2015	2014
Deferred tax assets	236,895	343,247
Deferred tax liabilities	230,628	343,597
Total	**6,267**	**-350**

Net deferred tax assets resulted from the following items:

TEUR	2015	2014
Loans and receivables at amortised cost	1,255	716
Impairment allowance balance	3,349	5,765
Trading assets	1,056	0
Intangible assets	25	0
Property and equipment	2,120	1,971
Other assets	25	18
Tax loss carryforwards and as yet unused sevenths of partial writedowns	40,616	36,793
Financial liabilities at amortised cost	19,494	25,900
Trading liabilities	50,652	125,981
Financial liabilities – designated at fair value through profit or loss	100,959	137,304
Provisions	17,228	8,799
Other liabilities	116	0
Deferred tax assets	**236,895**	**343,247**
Loans and receivables at amortised cost	127	428
Trading assets	174,749	214,721
Financial assets – designated at fair value through profit or loss	25,102	26,739
Financial assets – available for sale	29,405	36,263
Property and equipment	13	0
Trading liabilities	1,231	64,788
Financial liabilities – designated at fair value through profit or loss	0	658
Deferred tax liabilities	**230,628**	**343,597**
Net deferred tax assets	**6,267**	**-350**

Deferred taxes on tax loss carryforwards and impairments to equity investments were determined on the basis of a five year forecast period. Assets in the amount of TEUR 62,147 (2014: TEUR 86,901) arising from currently unused tax loss carryforwards and impairments to equity investments were not capitalised in the consolidated financial statements because, from the present perspective, it seems unlikely that it will be possible to realise them within the forecast period of five years.

In connection with entities carried at equity, as of 31.12.2015, taxable temporary differences amount to TEUR 97,568 (2014: TEUR 131,119). In accordance with IAS 12.39, no deferred tax liabilities need to be entered in the balance sheet for these temporary differences.

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

26. Other liabilities

TEUR	2015	2014
Tax liabilities	6,952	6,299
Other liabilities	42,319	108,592
Total	**49,271**	**114,891**

TEUR	2015	2014
Accruals and deferred items	6,285	7,702
Clearing items	8,269	61,200
Other liabilities	27,765	39,690
Total	**42,319**	**108,592**

27. Equity

TEUR	2015	2014
Attributable to equity holders of the parent	**1,183,388**	**1,101,284**
Subscribed capital	142,721	141,419
Capital reserves	401,956	403,258
Retained earnings	487,187	551,394
of which AFS reserve	84,678	134,430
Consolidated net profit/loss for the year	151,524	5,213
Equity attributable to non-controlling interests	**55,897**	**54,839**
Total	**1,239,285**	**1,156,123**

In the 2014 financial year, RLB Steiermark decided to increase its share capital by implementing a conditional capital increase through conversion of participation capital pursuant to § 26b in conjunction with § 103q (14) of the Austrian Banking Act (BWG), Federal Law

Gazette No. 1993/532 as amended by Federal Law Gazette I No. 2014/59, subject to application of the provisions stipulated by the Austrian Capital Adjustment Act (KBerG), Federal Law Gazette No. 1967/171 as amended by Federal Law Gazette No. 2011/53, on the basis of the 2013 annual financial statements. In the context of this capital increase, the share capital was increased, for a period of five years from the date of the resolution to that effect being adopted, i.e. until 24.9.2019, from EUR 120,000,000.00 by up to EUR 22,721,217.89 to up to EUR 142,721,217.89. As a result of the issue of up to 495,670 additional units, the number of RLB Steiermark's shares increases from 2,617,837 to 3,113,507 registered no-par shares (ordinary shares). All issued shares are fully paid-up.

By year-end 2015, 210,500 participation certificates had been converted into 495,670 shares. Accordingly, the subscribed capital (share capital) of RLB Steiermark totalled TEUR 142,721 as at 31.12.2015 (2014: TEUR 141,419) and consisted of 3,113,507 (2014: 3,026,542) registered no-par shares (ordinary shares). As at 31.12.2014, the subscribed capital included, in addition to RLB Steiermark AG's share capital in the amount of TEUR 138,735, the 36,932 registered participation certificates from the 2001 issue of non-voting, non-ownership capital which were not converted into shares at a nominal amount of TEUR 2,684. These were converted into ordinary shares in July 2015.

The Managing Board proposes to distribute from the net profit of Raiffeisen-Landesbank Steiermark AG, which amounts to EUR 5,043,881.34, a dividend of EUR 1.62 per share on the share capital of EUR 142,721,217.89, which is subdivided into 3,113,507 registered no-par shares, i.e. a total dividend of EUR 5,043,881.34.

Retained earnings include, among other items, income and expense items shown in comprehensive income that are not offset in the income statement. These include actuarial gains and losses from defined benefit plans less the apportionable deferred taxes, remeasurement gains and losses on financial assets available for sale and the apportionable deferred taxes recognised in other comprehensive income, the proportionate changes in equity of companies carried at equity without effect on profit or loss, and the foreign currency reserve.

As at the reporting date of 31.12.2015, the accumulated balance of actuarial gains and losses from defined benefit plans including the equity attributable to non-controlling interests stood at TEUR -10,756 (2014: TEUR -12,325). The available for sale reserve including non-controlling shareholders' equity totalled TEUR 88,485 (2014: TEUR 139,884). Proportionate changes in equity of companies carried at equity without effect on profit or loss came to TEUR -200,926 (2014: TEUR -184,082). The foreign currency reserve totalled TEUR 7 (2014: TEUR 0).

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

Other changes in retained earnings are largely attributable to other changes in equity resulting from the equity investment in RZB (see note 17 "Companies carried at equity").

For the securities in the AFS portfolio disposed of during the reporting year, an amount of TEUR 2,751 (2014: TEUR -1,946) was reclassified from the AFS reserve to the income statement. The associated income tax is TEUR -688 (2014: TEUR 649).

In addition, as a result of the disposal of investments an amount of TEUR 37,342 (2014: TEUR 51) was reclassified from other comprehensive income and shown as income under the line item "Profit/loss from financial assets – available for sale" in the reporting year. The associated income tax is TEUR -1,617 (2014: TEUR 17).

In the 2015 financial year, 5% of the shares in a subsidiary company were sold. As a result of that transaction, the RLB Steiermark Group posted an increase in non-controlling interests of TEUR 1,073 and a reduction in retained earnings of TEUR 48.

The Group also underwent internal restructuring in 2015. As a result, non-controlling interests rose by TEUR 489 and retained earnings decreased in the same amount.

TEUR	
Retained earnings	-537
Equity attributable to non-controlling interests	1,562
Net effect on the equity attributable to the owners of the parent	**1,025**

NOTES TO FINANCIAL INSTRUMENTS

28. 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 31.12.2015:

Financial liabilities (TEUR)	Carrying amounts	Contractual cash flows	On demand/ no specific term	Up to 3 months	3 months to 1 year	1 to 5 years	5 years and over
Financial liabilities at amortised cost	8,068,177	8,481,734	3,766,415	403,091	634,724	1,576,626	2,100,878
Trading liabilities	845,450	911,247	0	445,179	173,802	127,542	164,724
Financial liabilities – designated at fair value through profit or loss	3,707,124	4,198,855	0	163,886	375,332	1,625,944	2,033,693
Off-balance sheet transactions	0	1,459,383	1,459,383	0	0	0	0

Breakdown of terms to maturity at 31.12.2014:

Financial liabilities (TEUR)	Carrying amounts	Contractual cash flows	On demand/ no specific term	Up to 3 months	3 months to 1 year	1 to 5 years	5 years and over
Financial liabilities at amortised cost	7,636,812	8,679,496	5,241,242	71,446	318,346	959,393	2,089,069
Trading liabilities	527,047	551,325	104,091	200,220	50,133	112,980	83,901
Financial liabilities – designated at fair value through profit or loss	4,649,694	5,511,648	0	138,525	267,559	2,326,351	2,779,213
Off-balance sheet transactions	0	1,179,697	1,179,697	0	0	0	0

29. Offsetting of financial assets and liabilities

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

The RLB Steiermark Group concludes loan and interbank deposit transactions on the basis of deposit netting agreements and/or master netting arrangements with major customers. Generally, the amounts owed by each counterparty on all outstanding transactions under such agreements can be combined into one single net amount.

The following tables present financial assets and liabilities that are offset in the consolidated statement of financial position or are subject to a master netting agreement or similar arrangement.

2015 financial year

TEUR

Financial assets	Financial assets – gross	Financial liabilities offset against financial assets	Financial assets reported in the balance sheet – net	Effect of master netting agreements	Collateral in the form of financial instruments	Net total
				Not offset		
Loans and receivables at amortised cost	413,731	-13,178	400,553	-353,643	0	46,910
Trading assets	191,006	0	191,006	-133,976	0	57,030
Financial assets – designated at fair value through profit or loss	30,981	0	30,981	0	0	30,981
Financial assets – available for sale	108,709	0	108,709	0	0	108,709
Repurchase (repo) transactions	500,018	0	500,018	0	-166,128	333,890
Total	**1,244,445**	**-13,178**	**1,231,267**	**-487,619**	**-166,128**	**577,520**

TEUR

Financial liabilities	Financial liabilities – gross	Financial assets offset against financial liabilities	Financial liabilities reported in the balance sheet – net	Effect of master netting agreements	Collateral in the form of financial instruments	Net total
				Not offset		
Financial liabilities at amortised cost	2,281,974	-13,178	2,268,796	-410,329	0	1,858,466
Trading liabilities	66,653	0	66,653	-53,653	0	13,000
Financial liabilities – designated at fair value through profit or loss	33,051	0	33,051	-23,637	0	9,414
Repurchase (reverse repo) transactions	250,001	0	250,001	0	-51,973	198,028
Total	**2,631,679**	**-13,178**	**2,618,501**	**-487,619**	**-51,973**	**2,078,908**

2014 financial year

TEUR

Financial assets	Financial assets – gross	Financial liabilities offset against financial assets	Financial assets reported in the balance sheet – net	Effect of master netting agreements	Collateral in the form of financial instruments	Net total
				Not offset		
Loans and receivables at amortised cost	1,296,533	-697,126	599,407	-387,745	0	211,662
Trading assets	582,869	0	582,869	-523,520	0	59,349
Financial assets – designated at fair value through profit or loss	34,691	0	34,691	0	0	34,691
Financial assets – available for sale	55,916	0	55,916	0	0	55,916
Repurchase (repo) transactions	150,003	0	150,003	0	-156,950	-6,947
Total	**2,120,012**	**-697,126**	**1,422,886**	**-911,265**	**-156,950**	**354,671**

TEUR

Financial liabilities	Financial liabilities – gross	Financial assets offset against financial liabilities	Financial liabilities reported in the balance sheet – net	Effect of master netting agreements	Collateral in the form of financial instruments	Net total
				Not offset		
Financial liabilities at amortised cost	2,922,875	-697,126	2,225,749	-798,092	0	1,427,657
Trading liabilities	76,811	0	76,811	-76,808	0	3
Financial liabilities – designated at fair value through profit or loss	36,365	0	36,365	-36,365	0	0
Repurchase (reverse repo) transactions	0	0	0	0	0	0
Total	**3,036,051**	**-697,126**	**2,338,925**	**-911,265**	**0**	**1,427,660**

30. Derivative financial instruments

The following tables present the derivative financial transactions outstanding at the reporting date, broken down by term to maturity. The fair values incorporate the effects of counterparty risk (CVA/DVA).

Derivative financial products not held for trading (banking book) at 31.12.2015:

	Nominal amounts – term to maturity				Fair value	
TEUR	Up to 1 year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	792,331	2,212,319	3,605,837	6,610,487	670,364	119,699
Interest rate options – calls	67,358	111,760	49,303	228,421	12,030	0
Interest rate options – puts	73,241	68,176	77,541	218,958	1	1,345
Total	**932,930**	**2,392,255**	**3,732,681**	**7,057,866**	**682,395**	**121,044**
Exchange-traded products						
Interest rate futures	51,064	0	0	51,064	137	122
Total	**983,994**	**2,392,255**	**3,732,681**	**7,108,930**	**682,532**	**121,166**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	73,614	0	0	73,614	266	389
Cross currency interest rate swaps/cross currency swaps	15,349	294,554	0	309,903	3,954	30,899
Currency options – calls	1,731	0	0	1,731	28	0
Total	**90,694**	**294,554**	**0**	**385,248**	**4,248**	**31,288**
Other forward transactions						
OTC products						
Credit derivatives	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**
Aggregate total	**1,074,688**	**2,686,809**	**3,732,681**	**7,494,178**	**686,780**	**152,454**

Derivative financial products not held for trading (banking book) at 31.12.2014:

	Nominal amounts – term to maturity				Fair value	
TEUR	Up to 1 year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	370,111	2,336,950	3,645,723	6,352,784	788,746	150,393
Interest rate options – calls	45,489	132,228	68,025	245,742	14,973	0
Interest rate options – puts	22,164	134,892	57,695	214,751	0	1,017
Total	**437,764**	**2,604,070**	**3,771,443**	**6,813,277**	**803,719**	**151,410**
Exchange-traded products						
Interest rate futures	35,217	0	0	35,217	409	31
Total	**472,981**	**2,604,070**	**3,771,443**	**6,848,494**	**804,128**	**151,441**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	54,021	20	0	54,041	203	1,773
Cross currency interest rate swaps/cross currency swaps	19,502	308,886	0	328,388	2,615	5,204
Total	**73,523**	**308,906**	**0**	**382,429**	**2,818**	**6,977**
Other forward transactions						
OTC products						
Credit derivatives	16,473	0	106,697	123,170	2,167	484
Other	0	0	0	0	0	0
Total	**16,473**	**0**	**106,697**	**123,170**	**2,167**	**484**
Aggregate total	**562,977**	**2,912,976**	**3,878,140**	**7,354,093**	**809,113**	**158,902**

Derivative financial products held for trading (trading book) at 31.12.2015:

	Nominal amounts – term to maturity				Fair value	
TEUR	Up to 1 year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	199,901	909,503	1,301,350	2,410,754	89,904	99,706
Interest rate options – calls	91,214	293,125	110,159	494,498	3,028	0
Interest rate options – puts	123,355	201,813	122,042	447,210	0	2,714
Total	**414,470**	**1,404,441**	**1,533,551**	**3,352,462**	**92,932**	**102,420**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	29,880	0	0	29,880	231	500
Cross currency interest rate swaps/cross currency swaps	441,749	2,050	12,983	456,782	1,305	11,404
Currency options – calls	4,593	1,148	0	5,741	57	0
Currency options – puts	4,593	1,148	0	5,741	0	57
Total	**480,815**	**4,346**	**12,983**	**498,144**	**1,593**	**11,961**
Aggregate total	**895,285**	**1,408,787**	**1,546,534**	**3,850,606**	**94,525**	**114,381**

Derivative financial products held for trading (trading book) at 31.12.2014:

	Nominal amounts – term to maturity				Fair value	
TEUR	Up to 1 year	1 to 5 years	5 years and over	Total	Positive	Negative
Interest rate forwards						
OTC products						
Interest rate swaps	129,189	979,424	1,364,411	2,473,024	132,086	116,681
Interest rate options – calls	10,350	282,259	198,100	490,709	3,049	0
Interest rate options – puts	12,050	227,934	206,896	446,880	0	3,743
Total	**151,589**	**1,489,617**	**1,769,407**	**3,410,613**	**135,135**	**120,424**
Foreign exchange forwards						
OTC products						
Currency spots/forwards	25,222	0	0	25,222	371	441
Cross currency interest rate swaps/cross currency swaps	407,631	31,008	15,032	453,671	3,758	13,575
Total	**432,853**	**31,008**	**15,032**	**478,893**	**4,129**	**14,016**
Aggregate total	**584,442**	**1,520,625**	**1,784,439**	**3,889,506**	**139,264**	**134,440**

31. Fair value of financial instruments

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

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

Description of valuation models and parameters

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

Where current, generally observable prices exist for exchange-traded securities and exchange-traded derivatives, these products are recognised at quoted market prices. For the remaining securities and derivatives, the fair value is stated as the present value of the 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 and loss is determined using analogous methods.

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

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

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

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

The fair value of certain financial instruments corresponds very closely to the carrying amount. This applies to cash and balances with central banks 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.

Investments in associates are measured at equity. 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 3 years. The expected net cash flows are discounted at a risk-free interest rate, factoring in an appropriate risk haircut.

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

The following table presents the fair values by balance sheet position:

	2015		2014	
TEUR	Fair value	Carrying amount	Fair value	Carrying amount
Assets				
Cash and balances with central banks	47,218	47,218	41,063	41,063
Loans and receivables at amortised cost[1)]	8,960,536	8,138,443	8,566,844	8,076,337
Trading assets	1,863,201	1,863,201	1,809,279	1,809,279
Financial assets – designated at fair value through profit or loss	1,322,277	1,322,277	1,412,101	1,412,101
Financial assets – available for sale	1,542,117	1,542,117	1,768,951	1,768,951
Liabilities				
Financial liabilities at amortised cost	6,584,152	8,068,177	7,742,457	7,636,812
Trading liabilities	845,450	845,450	527,047	527,047
Financial liabilities – designated at fair value through profit or loss	3,707,124	3,707,124	4,649,694	4,649,694

[1)] Figures after consideration of impairment allowances.

32. Fair value hierarchy

The fair value hierarchy reflects the level of independent, objective evidence surrounding the inputs used to measure the fair value of financial assets and financial liabilities. This hierarchy divides the input factors used to determine fair value into three categories (levels), depending on the extent to which the input factors used are observable.

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

Inputs based on market observables (level 2): If fair value determination is based on a price for which the market cannot be considered to be active because liquidity is limited, the underlying financial instrument is classified in level 2 of the fair value hierarchy. Where no market prices are available, the fair value is calculated by marking to model, for which market data are used as parameters. Provided that all key parameters of the valuation model are observable on the market, the financial instrument will be categorised in level 2 of the fair value hierarchy. Level 2 valuations typically employ interest curves, credit spreads and implicit volatilities as observable and verifiable market parameters. In the category of financial instruments recognised at fair value, this includes in particular the majority of OTC derivatives and interbank funds in the trading portfolio and liabilities evidenced by certificates. Debt instruments and investment certificates for which there is no active market are also included in level 2. Financial instruments not measured at fair value essentially comprise interbank funds and deposits.

Inputs based on relevant, non-observable parameters (level 3): In some instances, the fair value cannot be determined either on the basis of sufficiently frequent quoted market prices or by using valuation models that rely entirely on observable market data. 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 structured liabilities evidenced by certificates, complex OTC derivatives, asset-backed securities and investments. Financial instruments not measured at fair value mainly comprise loans and deposits.

Description of valuation methods and processes for level 3 financial instruments

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

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

Qualitative information about level 3 fair value measurements:

	Type	Fair value (EUR million)	Valuation method	Significant non-observable inputs	Range of non-observable inputs (%)
Bonds and other fixed-income securities	Bonds	26	Broker estimates	Probability of default, interest rate	10-30
Own bonds (1:1 collateralisation)	Issues	148	Broker estimates, DCF method	Expected interest payments	10-20
Hedging derivatives	Interest rate derivatives	31	Broker estimates	Expected interest payments	10-20

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	7.07%	8.37%
		Beta factor	0.81	1.00
		Market risk factor	6.00%	7.00%
		Risk-free interest rate	0.96%	2.20%
		Planning horizon	2 years	20 years
Income capitalisation 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	0.38 EUR	1.72 EUR
		Markup/ markdown	+500 BP	-500 BP
Net asset value method (option price)	A projected income statement is used to calculate future profit surpluses. These are then discounted to determine the value of equity at the measurement date.	Discount rate	5%	7%

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 following table shows the fair value hierarchy for the financial instruments measured at fair value.

Fair value hierarchy of financial assets and liabilities measured at fair value:

	2015			2014		
Financial assets	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Trading assets						
Bonds and other fixed-income securities	94,988	0	0	117,159	0	0
Positive fair values (dirty price) of derivative contracts	0	719,579	61,346	0	874,266	71,504
Loans and receivables	0	987,288	0	0	746,350	0
Financial assets – designated at fair value through profit or loss	860,547	438,241	23,489	939,360	435,409	37,332
Financial assets – available for sale	1,149,449	312,224	80,444	1,348,722	296,921	123,308
Total	**2,104,984**	**2,457,332**	**165,279**	**2,405,241**	**2,352,946**	**232,144**

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Trading liabilities						
Liabilities to other banks	0	579,126	0	0	235,893	0
Negative fair values (dirty price) of derivative contracts	0	235,876	30,448	0	259,047	32,107
Financial liabilities – designated at fair value through profit or loss	0	3,561,997	145,127	0	4,481,939	167,755
Total	**0**	**4,376,999**	**175,575**	**0**	**4,976,879**	**199,862**

Reconciliation to level 3 financial instruments:

2015 financial year

	Balance at 1 January	Recorded in the income statement [1]	Recorded in other comprehensive income	Additions	Disposals	Settlements	Reclassifications to level 3	Reclassifications from level 3	Balance at 31 December
Financial assets									
Trading assets									
Positive fair values (dirty price) of derivative contracts	71,504	-4,534	0	0	-5,140	0	0	-485	61,345
Financial assets – designated at fair value through profit or loss	37,332	2,994	0	0	-16,837	0	0	0	23,489
Financial assets – available for sale	123,308	-1,418	2,048	2,105	-45,383	0	0	-215	80,445
Total	**232,144**	**-2,958**	**2,048**	**2,105**	**-67,360**	**0**	**0**	**-700**	**165,279**
Financial liabilities									
Trading liabilities									
Negative fair values (dirty price) of derivative contracts	32,107	-1,616	0	0	0	0	0	-43	30,448
Financial liabilities – designated at fair value through profit or loss	167,755	-6,691	0	0	-1,286	-10,000	0	-4,651	145,127
Total	**199,862**	**-8,307**	**0**	**0**	**-1,286**	**-10,000**	**0**	**-4,694**	**175,575**

[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.

Reclassification from level 3 to level 2 of trading assets and financial liabilities – designated at fair value through profit or loss took place because observable input factors are now available for all these transactions. The transactions scheduled to mature in 2016 are variable-interest financial instruments. As the expected interest payments for 2016 are known as at 31.12.2015, they constitute an observable input factor that is incorporated in the valuation.

Beyond that, no reclassifications to or from level 3 occurred in the year under review. The reclassifications took place on the basis of the opening balance as at 1.1.2015.

2014 financial year

	Balance at 1 January	Recorded in the income statement [1])	Recorded in other comprehensive income	Additions	Disposals	Settlements	Reclassifications to level 3	Reclassifications from level 3	Balance at 31 December
Financial assets									
Trading assets									
Positive fair values (dirty price) of derivative contracts	77,585	32,702	0	0	-8,013	0	0	-30,770	71,504
Financial assets – designated at fair value through profit or loss	42,779	-447	0	0	0	-5,000	0	0	37,332
Financial assets – available for sale	86,551	-18,147	5,372	11,136	-5,089	0	43,485	0	123,308
Total	**206,915**	**14,108**	**5,372**	**11,136**	**-13,102**	**-5,000**	**43,485**	**-30,770**	**232,144**
Financial liabilities									
Trading liabilities									
Negative fair values (dirty price) of derivative contracts	14,244	18,151	0	0	-288	0	0	0	32,107
Financial liabilities – designated at fair value through profit or loss	255,048	12,696	0	1,091	-968	-11,445	0	-88,667	167,755
Total	**269,292**	**30,847**	**0**	**1,091**	**-1,256**	**-11,445**	**0**	**-88,667**	**199,862**

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

The profit/loss from financial assets and liabilities – designated at fair value through profit or loss recognised in the income statement and the gains and losses from the revaluation of the corresponding underlyings (economic hedges) are contained in the line item "Profit/loss from financial instruments – designated at fair value through profit or loss" (note 6). The interest associated with these instruments is shown in net interest income. The profit/loss from financial assets – available for sale recorded in the income statement is shown in the line item "Profit/loss from financial assets – available for sale" (note 7).

The gains and losses from the revaluation of AFS financial assets are contained in other income under the line item "Changes in the valuation of financial assets available for sale (AFS)".

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

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

TEUR	2015	2014
Financial assets measured at fair value		
Trading assets – positive fair values (dirty price) of derivative contracts	-4,887	32,702
Financial assets – designated at fair value through profit or loss	489	-497
Financial assets – available for sale	-1,418	-18,147
Total	**-5,816**	**14,058**
Financial liabilities measured at fair value		
Trading liabilities – negative fair values (dirty price) of derivative contracts	-1,659	-18,151
Financial liabilities – designated at fair value through profit or loss	-2,868	-12,854
Total	**-4,527**	**-31,005**
Aggregate total	**-10,343**	**-16,947**

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

Sensitivity analysis

With the exception of investments, the level 3 financial instruments measured at fair value 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. Possible effects that result from the relative uncertainty regarding the fair values of financial instruments whose measurement is based on non-observable input parameters (level 3) are presented within the context of the sensitivity analysis for level 3 instruments.

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

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

To quantify the credit spread risk, the term to maturity and internal rating of the portfolio of level 3 securities (assets and liabilities) were taken into account. In this context, it was assumed that the spreads of the level 3 securities had shifted by 200 basis points upwards or downwards. The resulting profit/loss effects on the fair value are shown in the table below.

		Change in fair value		
TEUR	Change in input factors	Asset items	Liability items	Total
Interest rate sensitivity:				
Interest rate change	+200 BP	-817	0	817
Interest rate change	-200 BP	914	0	914
Curve rotation:				
Money market	-100 BP	-419	0	-419
Capital market	+100 BP			
Credit spread sensitivity:				
Credit spread change	+200 BP	-817	10,320	9,503
Credit spread change	-200 BP	914	-12,137	-11,223

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.

Equity investments

Level 3 investments measured at fair value are composed exclusively of equity investments that are not publicly traded. Almost none of the parameters on which the valuation of these investments is based can be observed in the market. The valuation method depends on the characteristic features of the entity being valued (type of business, contracts, etc.). Annual forecasts are drawn up for companies valued using the discounted cash flow method. As changes in the assumed free cash flows can have a significant impact on fair value, the analysis was based on the assumption of a change in the respective free cash flows by +/- 100 BP per planning period. The discount rate is influenced by several parameters, each of which has a varying impact. To factor in interest rate sensitivity, the discount rate was varied in each case by +/- 100 BP. For the investment measured at net asset value, the prices per m^2 determined by an expert appraisal represent the key input parameter, which was varied by +/- 500 BP. For the investment measured at capitalised value, only interest rate sensitivity was analysed. This was done by applying a parallel shift in the discount rate of +/- 100 BP since a selling option exists for this investment. Therefore, a change in the forecast would not have a significant impact on the fair value of the investment.

The six largest investments were taken as the basis for the sensitivity analysis. The resulting fair value effects not impacting profit/loss are shown in the table below.

TEUR					
Valuation method	**Input factors**	**Change in input factors**	**Fair value**	**Best case**	**Worst case**
Discounted cash flow method	Discount rate	+/- 100 BP		-100 BP	+100 BP
	Free cash flow			+100 BP	-100 BP
Total			**39,840**	**45,735**	**35,187**
Net asset value method (real estate)	Markup/ markdown	+/- 500 BP		+500 BP	-500 BP
Total			**10,720**	**11,184**	**10,232**
Income capitalisation method (option price)	Discount rate	+/- 100 BP		-100 BP	+100 BP
Total			**3,842**	**4,105**	**3,597**

Reclassifications from and to level 1:

TEUR	Reclassifi-cations from level 1 to level 2	Reclassifi-cations from level 2 to level 1
Financial assets		
Financial assets – designated at fair value through profit or loss	4,501	2,496
Financial assets – available for sale	0	0
Total	**4,501**	**2,496**

Assets were reclassified from level 1 to level 2 because observable market transactions did not indicate the presence of an active market. In turn, assets were transferred from level 2 to level 1 because prices quoted on an active market were available for these financial instruments in the 2015 financial year.

Beyond that, no reclassifications to or from level 1 occurred in the year under review. The reclassifications took place on the basis of the opening balance as at 1.1.2015.

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 is also shown for instruments measured at amortised cost. As per IFRS 13.C3, comparative information for the previous year is not required.

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 and balances with central banks 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 following table shows the fair values of financial assets and liabilities not measured at fair value, including their levels in the fair value hierarchy.

TEUR	2015			2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Loans and receivables at amortised cost	0	2,088,383	5,017,395	0	1,941,738	4,697,221
Financial liabilities						
Financial liabilities at amortised cost	0	1,396,967	1,642,021	1,229,801	1,562,483	1,661,041

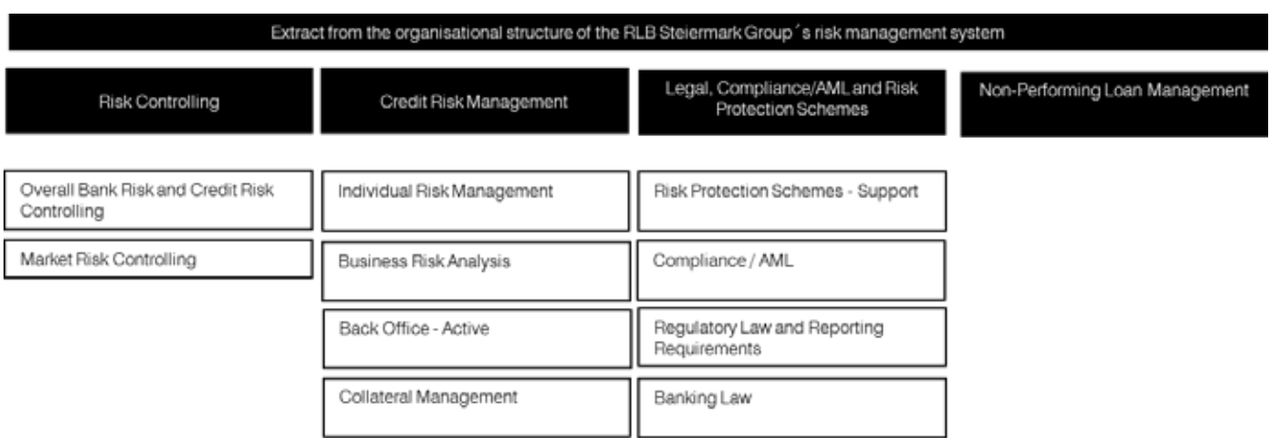
RISK REPORT

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 properly assess them. 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.

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

Overall responsibility for the entire area of risk control is borne by the Managing Board. The Managing Board and the Supervisory Board jointly define the Group's overall risk strategy and formulate operational parameters on the basis of the principles outlined therein. Risk Controlling reports both to the Managing Board and the Supervisory Board on a near real-time basis.



The RLB Steiermark Group's risk management activities are based on clear responsibilities. Risk Controlling subsumes all of the organisational activities for identifying and dealing with the risks of business operations, with the exception of NPL management. All organisational units concerned with the identification, recording, assessment and analysis of risk are combined under the direct leadership of the Managing Board member responsible for risk. The management of non-performing loans is assigned to a Managing Board member responsible for a non-front office function. Risks are identified, measured and controlled by the Risk Controlling division in cooperation with the corresponding organisational units. In addition, Risk Controlling is responsible for developing and supplying the processes used for risk measurement and the necessary IT systems. Furthermore, is the responsibility of Risk Controlling to ensure a proactive risk control system that meets the requirements arising from the Group's business model.

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

The risk controlling structures have been designed to ensure that key risks faced at all levels within the Group (i.e. credit risk, investment risk, market price risk, liquidity risk, operational and other risks) can be identified, measured and controlled. Special committees support the Managing Board in the performance of its risk-related tasks, for which it bears ultimate responsibility.
The objective of risk management is risk limitation, i.e. the targeted allocation of risk capital with a view to achieving sustainable, profitable growth in all business segments and at the same time maintaining and enhancing the Group's equity position.

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

- The assumption of risks should not endanger the substance of the Group entities, i.e. their risk-bearing capacity and the generation of positive results must be ensured.
- Risks are seen as opportunities to generate revenues.
- The assessment of risks and determination of risk-bearing capacity are undertaken using systems, methods and procedures approved by the Managing Board.
- The resultant risks are analysed adequately before new types of products/services are implemented. To this end, a standardised and clearly defined product introduction process has been instituted.

The categories required pursuant to IFRS 7.6 are defined as follows:

- Cash and balances with central banks
- Loans and receivables at amortised cost
- Trading assets
- Financial assets – designated at fair value through profit or loss
- Financial assets – available for sale
- Financial liabilities at amortised cost
- Trading liabilities
- Financial liabilities – designated at fair value through profit or loss

Pursuant to the provisions of § 39a of the Austrian Banking Act (BWG) and the Austrian Regulation Governing the Risk Management of Credit Institutions (Kreditinstitute-Risikomanagementverordnung, KI-RMV), banks are required to have effective plans and procedures in place that enable them to determine the level, composition and distribution of the capital available to cover, in quantitative and qualitative terms, all significant banking and operational risks to which they are exposed. Based on this requirement, banks must hold sufficient levels of capital. These plans and procedures are summarised in the Internal Capital Adequacy Assessment Process (ICAAP) used by all Austrian banks, and they are presented and reported as part of their risk-bearing capacity calculation.

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

Concurrently, the going concern perspective (VaR 95%) is observed in the calculation of the capital requirement.

The risk-bearing capacity analysis is a fundamental tool used in management decision-making, and it is a key part of ongoing risk reporting to the Managing Board as well as quarterly risk reporting to the Supervisory Board. In addition, the results of risk-bearing capacity analyses are also discussed periodically by the Group's Aggregate Bank Risk Committee. Regular monitoring of risk limits is the responsibility of the RLB Steiermark Group's Risk Controlling division.

In the 2015 financial year, RLB Steiermark drew up for the first time a bank recovery plan for RLB-Stmk Verbund eGen and the institutional protection scheme at state level. The requirement to develop and maintain a recovery plan that promulgates the bank's plan for the actions necessary to remain a going concern while experiencing financial or operational stress was triggered by the 2008/2009 financial and economic crisis, which disclosed the need for a fundamental reform of crisis management by banks. Essentially, a structured crisis management system had to be instituted with a formalised methodology that addresses all of the processes and measures to be implemented in the event of macroeconomic shocks being transmitted to financial markets. To promote uniformity in the supervision of

financial institutions, the G-20 nations charged the Financial Stability Board (FSB) with establishing a uniform international regime for recovery and resolution planning and overseeing its implementation. Subsequently, the European Union (EU) established a Europe-wide banking union predicated on a number of legislative actions. These include the Banking Recovery and Resolution Directive (BRRD), which became effective on 01.01.2015. Building on the BRRD, the Austrian Bank Intervention and Restructuring Act (BIRG) was repealed and replaced on 01.01.2015 by the Federal Act on the Recovery and Resolution of Banks (BaSAG).

RLB-Stmk Verbund eGen was charged with compiling a Group-wide recovery plan pursuant to §§ 15 et seq. BaSAG. Accordingly, a recovery plan was drawn up at the level of RLB-Stmk Verbund eGen for the RLB Steiermark Group of credit institutions. Additionally, a separate plan was prepared at the level of the state institutional protection scheme (L-IPS), and a further plan at the level of the federal institutional protection scheme (B-IPS).

These recovery plans were drawn up based on the applicable statutory provisions, particularly the Federal Act on the Recovery and Resolution of Banks (Federal Law Gazette I 98/2014) and the EBA and FMA guidelines. This process also included specification of the recovery indicators, which were incorporated into the recovery plans. All assumptions, calculations and forecasts are based on figures ascertained as at 31.12.2014 and were submitted to the FMA on 30.09.2015 in accordance with the requisite resolutions made by the responsible committees.

The purpose of these recovery plans is to prepare for a potential crisis. Specifically, their objective is to ensure that banks and groups of credit institutions address in a timely manner the organisational and business measures they must take in the event of a crisis, which would enable those banks to overcome any crisis as quickly and effectively as possible using their own resources. As part of the regular monitoring process, the recovery indicators are examined and corresponding stress tests are conducted.

Furthermore, periodic stress tests are performed within RLB Steiermark Group and discussed by the Group's 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. In the process, a distinction is made between "system crises", "idiosyncratic crises", and "combined crises". These scenarios are subject to annual review. In 2015, the Group's capital ratios were met at all times and in every scenario. In addition, reverse stress tests are conducted, which target the risk sensitive areas within the RLB Steiermark Group and thus provide its management with important information for managing and controlling organisational risk.

RLB Steiermark is a member of the Raiffeisen-Einlagensicherung Steiermark deposit protection scheme, the Kundengarantiegemeinschaft Steiermark customer deposit guarantee association, and the Solidarity Association (Solidaritätsverein) of the Raiffeisen Banking Group in Styria. It is also a member of the institutional protection schemes at the federal (B-IPS) and state (L-IPS) levels.

As stipulated by the Austrian Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), RLB Group members paid their first half-yearly contributions to the deposit protection fund during the 2015 financial year. Annual contributions are mandatory until mid-2024.

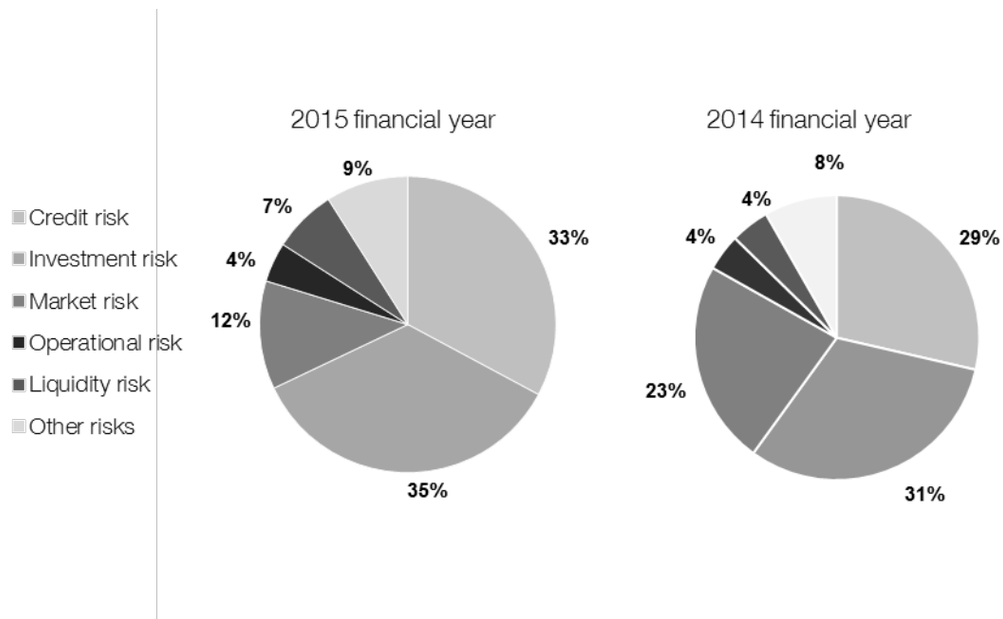
Disclosures under Basel III (Article 431 et seq. CRR) are at consolidated level, based on the consolidated financial statements of RLB-Stmk Verbund eGen. The relevant data is available at www.rlbstmk.at.

Aggregate bank risk

Credit risk, investment risk, market price risk, operational risk, liquidity risk and other risks have been identified as significant types of risk. Other risks include macroeconomic risk and a buffer for non-quantifiable risks. Individual risks are aggregated to form an aggregate bank risk position, which is comprised of the following components:

Share of individual risks in the aggregate risk position

Based on the extreme case scenario, the economic capital requirement as at 31 December 2015 came to EUR 818.8 million (2014: EUR 915.6 million). The corresponding covering assets within the Group totalled EUR 1,258.89 million (year-end 2014: EUR 1,153.7 million).



The aggregate risk situation is assessed on the basis of the risk-bearing capacity analysis, which compares the aggregate risk position with the available risk cover fund. The risk-bearing capacity analysis provides information about how much additional risk can be tolerated and/or whether activities carrying a higher degree of risk should be reduced. The values for the risk-bearing capacity analysis are presented in two scenarios: first, on the basis of a 95% confidence interval from a going concern perspective and second, on the basis of a 99.9% confidence interval from a liquidation perspective. While the going concern approach aims at ensuring that the regulatory minimum capital requirements are fulfilled even in the event of total consumption of the covering assets, the extreme case scenario aims to ensure that in the event of a “notional liquidation” the creditors will be completely satisfied. Unless otherwise stated in the risk report, all data are based on the extreme case scenario.

In an effort to limit risks, an overall limit system has been established, which comprises the individual risk types and strategic business segments and has been approved by the Managing and Supervisory Boards. Risk Controlling analyses the risks identified and, by conducting regular target-actual comparisons, monitors compliance with the defined limits.

When identifying concentration risks, due consideration is given to the individual circumstances of the Group. A concentration of the risk of default arises, for example, from a high volume of business activities focusing on certain industries, currencies, geographical regions or on a limited number of individual customers.

The risk-bearing capacity analysis, performed at regular intervals, is the central instrument that brings together and captures all risk-related aspects. Using this analysis, appropriate activities are implemented to control the aggregate bank risk. Individual types of risk are managed on a daily basis and, where required, even by intraday processes.

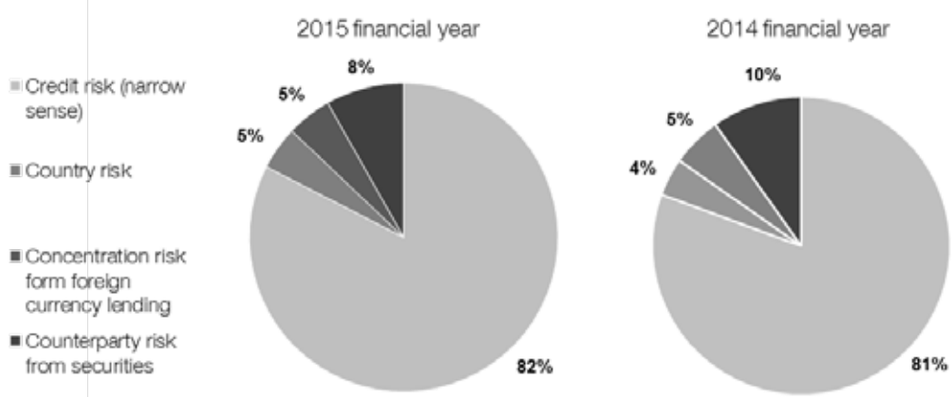
As a general principle, the RLB Steiermark Group only targets business segments in which it has gained appropriate experience in assessing the specific risks. The development of new business segments or products is based on an adequate analysis of the business-specific risks. That analysis is undertaken using a standardised product introduction process.

The framework for managing and controlling risks on a daily basis is provided by the operational parameters of the risk strategy that have been approved by the Supervisory and Managing Boards and which are defined in the risk manual. All risk-related information is summarised in a central database which is accessible to every employee. The information contained in that database must be duly taken into account by all staff members. Internal Auditing and Group Auditing check the effectiveness of the workflows, processes and controls in the context of the Group's Internal Control System (ICS).

Credit risk

In addition to the credit (default) risk in the narrow sense of the term, credit risk also includes the concentration risk from foreign currency lending, the counterparty risk from securities, and the country risk.

Share of individual risks in credit risk



Credit risk is the result of possible losses that arise due to the full or partial default of customers or counterparties or due to a decline in the credit rating of the respective counterparty. Impaired securities can also be a possible cause (residual risk from credit risk-reducing procedures).

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 the overall portfolio level. The maximum loss that can be incurred within one year which, with a certain level of probability (95% or 99.9%), will not be exceeded, is calculated. Responsibility for this task falls to the organisational unit responsible for aggregate bank and default risk controlling. All risk-related reporting is also prepared by this unit.

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, early identification of potential default events and contributing to the optimisation of the rating system.

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. In the context of a rating, these parameters are used to assign credit scores – a numerical value reflecting the credit risk posed by a person or transaction. The principles for assessing customers' creditworthiness are contained in the credit risk manual. Uniform rating models/systems are used throughout the Group for the different customer segments (Corporate, Retail, Financial Institutions, etc.). 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
AAA	Aaa	0.5	No risk
AA+ to AA-	Aa1 to Aa3	1.0	Excellent credit standing
A+ to A-	A1, A2	1.5	Very good credit standing
BBB+ to BBB	A3, Baa1	2.0	Good credit standing
BBB-	Baa2, Baa3	2.5	Average credit standing
BB+, BB	Ba1, Ba2	3.0	Mediocre credit standing
BB-, B+	Ba3, B1	3.5	Weak credit standing
B, B-, CCC+ to CCC-	B2, B3, Caa1 to Caa3	4.0	Very weak credit standing
CC, C	Ca	4.5	At risk of 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 exposure to credit risk pursuant to IFRS 7.36a

The maximum exposure to credit risk pursuant to IFRS 7.36a corresponds to the carrying amount of the financial instruments that entail risk. In the case of financial guarantees and credit commitments, it corresponds to the nominal amount of the guarantee or the amount of the as yet unused credit commitment.

TEUR	2015	2014
Cash and balances with central banks	28,777	22,578
Loans and receivables at amortised cost (less impairment allowances)	8,138,444	8,076,337
Trading assets	1,863,201	1,809,279
Financial assets – designated at fair value through profit or loss	1,312,405	1,403,014
Financial assets – available for sale	1,453,069	1,637,019
Balance	**12,795,896**	**12,948,227**
Contingent liabilities	256,303	267,612
Commitments	1,170,290	888,021
Balance	**1,426,593**	**1,155,633**
Total	**14,222,489**	**14,103,860**

In the case of doubtful debts (i.e. if the debt interest and principal payments appear to be fully or partly at risk), an impairment allowance equivalent to the amount of loss incurred must be created. Risk is identified through early warning systems. Once it has been established that an impairment allowance is required, the reasons for the impairment are recorded and the debtor's income and asset situation is set out, along with conclusive evidence of how the impairment amount was calculated.

Non-performing loans and advances are those with a credit rating of 5.0, 5.1 and 5.2.

Distribution of lending and counterparty volumes by rating categories (gross carrying value):

2015 financial year

TEUR	Rating – Moody's (Aaa to B1)*	Rating – Moody's (B2 to C)*	Unrated	Balance
Loans and receivables at amortised cost	**7,701,583**	**725,002**	**26,263**	**8,452,848**
Loans and advances to customers	4,876,545	724,737	1,867	5,603,149
Loans and advances to other banks	2,825,038	265	24,396	2,849,699
Trading assets	**1,861,024**	**1,727**	**450**	**1,863,201**
Financial assets – designated at fair value through profit or loss	**1,312,405**	**0**	**0**	**1,312,405**
Financial assets – available for sale	**1,453,069**	**0**	**0**	**1,453,069**
Off-balance sheet transactions	**1,349,627**	**69,727**	**40,029**	**1,459,383**
Total	**13,677,708**	**796,456**	**66,742**	**14,540,906**

* Raiffeisen ratings, matched to Moody's.

2014 financial year

TEUR	Rating – Moody's (Aaa to B1)*	Rating – Moody's (B2 to C)*	Unrated	Balance
Loans and receivables at amortised cost	**7,536,612**	**831,395**	**103,304**	**8,471,311**
Loans and advances to customers	4,773,036	831,395	81,780	5,686,211
Loans and advances to other banks	2,763,576	0	21,524	2,785,100
Trading assets	**1,803,529**	**5,712**	**38**	**1,809,279**
Financial assets – designated at fair value through profit or loss	**1,403,014**	**0**	**0**	**1,403,014**
Financial assets – available for sale	**1,637,019**	**0**	**0**	**1,637,019**
Off-balance sheet transactions	**1,086,705**	**92,054**	**939**	**1,179,697**
Total	**13,466,879**	**929,161**	**104,281**	**14,500,321**

* Raiffeisen ratings, matched to Moody's.

Distribution of lending and counterparty volumes (excluding securities) by selected countries:

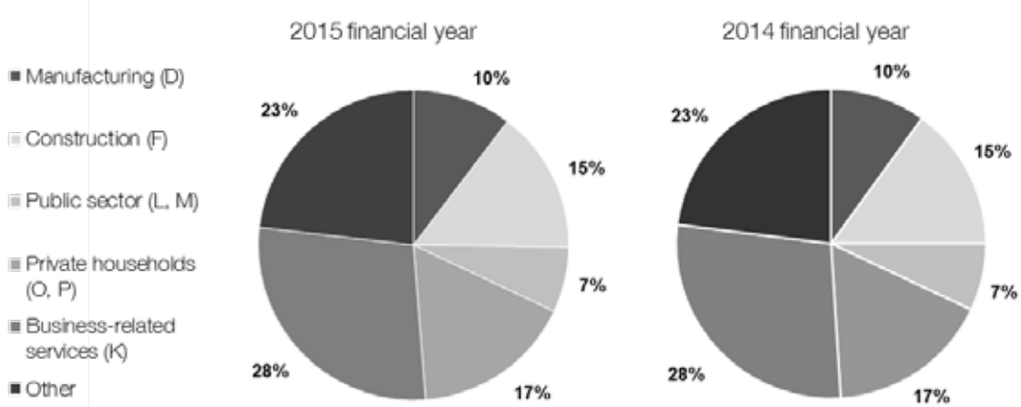
2015 financial year

TEUR	Loans and advances to other banks	Loans and advances to customers
Bosnia-Herzegovina	0	612
France	14,197	0
Greece	0	0
Italy	35	995
Croatia	24,390	114,179
Republic of Ireland	0	153
Romania	0	16,676
Russia	0	6,034
Slovenia	0	22,843
Spain	0	704
Ukraine	0	0
Hungary	0	7,929
Cyprus	0	0

2014 financial year

TEUR	Loans and advances to other banks	Loans and advances to customers
Bosnia-Herzegovina	0	704
France	400	0
Greece	0	0
Italy	0	1,135
Croatia	21,528	117,220
Republic of Ireland	0	173
Romania	0	18,003
Russia	0	19,514
Slovenia	0	24,973
Spain	0	669
Ukraine	0	0
Hungary	0	8,597
Cyprus	0	0

Sector distribution of customer lending business by exposure (top 5)



In the 2015 financial year, RLB Steiermark introduced an industry limit system. The primary factors that influence the formulation of such limits include the share of exposure at default (EAD), the share of expected loss, and/or the credit value-at-risk (CVaR) in the overall customer loan portfolio. The Group's Aggregate Bank Risk Committee regularly informs the Managing Board about the ongoing development of the limit situation.

Distribution of collateral values by rating categories

2015 financial year

TEUR	Rating – Moody's (Aaa to B1)*	Rating – Moody's (B2 to C)*	Unrated	Balance
Loans and receivables at amortised cost	**3,066,632**	**261,433**	**248**	**3,328,313**
Loans and advances to customers	2,649,669	261,433	248	2,911,350
Loans and advances to other banks	416,963	0	0	416,963
Trading assets	**27,587**	**0**	**0**	**27,587**
Total	**3,094,219**	**261,433**	**248**	**3,355,900**

*) Raiffeisen ratings, matched to Moody's.

2014 financial year

TEUR	Rating – Moody's (Aaa to B1)*	Rating – Moody's (B2 to C)*	Unrated	Balance
Loans and receivables at amortised cost	**3,450,688**	**328,783**	**34**	**3,779,505**
Loans and advances to customers	2,782,710	328,783	34	3,111,527
Loans and advances to other banks	667,978	0	0	667,978
Trading assets	**19,478**	**13**	**0**	**19,491**
Total	**3,470,166**	**328,796**	**34**	**3,798,996**

*) Raiffeisen ratings, matched to Moody's.

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 three categories:

- Collateral for immovable assets (land register)
- Collateral for moveable assets/rights
- Indemnity agreements/guarantees/warranties in written form

In addition to guarantees within the context of public funding bodies, private guarantors (whose creditworthiness is checked with due diligence and care) are also used to minimise credit risk.
Economic risks are mitigated by the collection of data regarding banking collateral and its evaluation. 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 collateral valuation proposal is drawn up and documented by the account manager and checked by the credit risk manager. Periodic valuation guidelines have been set according to the type of collateral. Ultimate responsibility for the valuation of collateral rests with the credit risk manager.

Entities are required to disclose the following for each class of financial asset (IFRS 7.37):

- An analysis of the age of the financial assets that are past due but not impaired as at the end of the reporting period, and
- An analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining the impairment

Distribution of lending and counterparty volumes by days overdue (gross carrying value):

2015 financial year TEUR	Balance	Unimpaired*	Impaired	1–30 days past due, no specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific impairment charge**
Loans and receivables at amortised cost	**8,452,848**	**7,749,917**	**514,442**	**106,222**	**8,143**	**27,644**	**46,480**
Loans and advances to customers	5,603,149	4,900,218	514,442	106,222	8,143	27,644	46,480
Loans and advances to other banks	2,849,699	2,849,699	0	0	0	0	0
Trading assets	**1,863,201**	**1,861,914**	**0**	**0**	**0**	**0**	**1,287**
Financial assets – designated at fair value through profit or loss	**1,312,405**	**1,312,405**	**0**	**0**	**0**	**0**	**0**
Financial assets – available for sale	**1,453,069**	**1,453,069**	**0**	**0**	**0**	**0**	**0**
Off-balance sheet transactions	**1,459,383**	**1,400,341**	**48,422**	**0**	**0**	**0**	**10,620**
Total	**14,540,906**	**13,777,646**	**562,864**	**106,222**	**8,143**	**27,644**	**58,387**

* Not subject to specific impairment charges or past due.
** Amount of receivable without deduction of collateral.

Distribution of impaired and unimpaired lending and counterparty volumes:

2015 financial year

TEUR	Gross carrying amount	Gross carrying amount – unimpaired	Gross carrying amount – unimpaired	Specific impairment charges	Portfolio-based impairment charges	Carrying amount
Loans and receivables at amortised cost	**8,452,848**	**7,938,406**	**514,442**	**299,966**	**14,438**	**8,138,444**
Loans and advances to customers	5,603,149	5,088,707	514,442	299,966	13,405	5,289,778
Loans and advances to other banks	2,849,699	2,849,699	0	0	1,033	2,848,666
Financial assets available for sale (excluding investments)	**1,453,069**	**1,453,069**	**0**	**0**	**0**	**1,453,069**

2015 financial year

TEUR	Total	Unimpaired	Impaired	Provisions
Off-balance sheet transactions	**1,459,383**	**1,410,961**	**48,422**	**32,790**

For the most part, the exposure assigned to the category “Default – no specific impairment charge” is covered by collateral (see the table “Distribution of collateral by days past due” below).

Distribution of lending and counterparty volumes by days overdue (gross carrying value):

2014 financial year

TEUR	Balance	Unimpaired*	Impaired	1–30 days past due, no specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific impairment charge**
Loans and receivables at amortised cost	**8,471,311**	**7,432,791**	**596,453**	**360,174**	**25,876**	**1,314**	**54,703**
Loans and advances to customers	5,686,211	4,647,691	596,453	360,174	25,876	1,314	54,703
Loans and advances to other banks	2,785,100	2,785,100	0	0	0	0	0
Trading assets	**1,809,279**	**1,805,739**	**0**	**0**	**0**	**0**	**3,540**
Financial assets – designated at fair value through profit or loss	**1,403,014**	**1,403,014**	**0**	**0**	**0**	**0**	**0**
Financial assets – available for sale	**1,637,019**	**1,637,019**	**0**	**0**	**0**	**0**	**0**
Off-balance sheet transactions	**1,179,697**	**1,120,246**	**34,213**	**0**	**0**	**0**	**25,238**
Total	**14,500,321**	**13,398,809**	**630,666**	**360,174**	**25,876**	**1,314**	**83,481**

* Not subject to specific impairment charges or past due.
** Amount of receivable without deduction of collateral.

Distribution of impaired and unimpaired lending and counterparty volumes:

2014 financial year

TEUR	Gross carrying amount	Gross carrying amount – unimpaired	Gross carrying amount – unimpaired	Specific impairment charges	Portfolio-based impairment charges	Carrying amount
Loans and receivables at amortised cost	**8,471,311**	**7,874,858**	**596,453**	**371,923**	**23,051**	**8,076,337**
Loans and advances to customers	5,686,211	5,089,758	596,453	371,923	22,825	5,291,463
Loans and advances to other banks	2,785,100	2,785,100	0		226	2,784,874
Financial assets available for sale (excluding investments)	**1,637,019**	**1,637,019**	**0**	**0**	**0**	**1,637,019**

2014 financial year

TEUR	Total	Unimpaired	Impaired	Provisions
Off-balance sheet transactions	**1,179,696**	**1,145,483**	**34,213**	**24,064**

Distribution of collateral by days overdue:

2015 financial year

TEUR	Balance	Unimpaired	Subject to specific impairment charge	1–30 days past due, no specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific impairment charge
Loans and receivables at amortised cost	**3,328,313**	**3,119,358**	**127,525**	**48,284**	**4,650**	**1,917**	**26,579**
Loans and advances to customers	2,911,350	2,702,395	127,525	48,284	4,650	1,917	26,579
Loans and advances to other banks	416,963	416,963	0	0	0	0	0
Trading assets	**27,587**	**27,587**	**0**	**0**	**0**	**0**	**0**
Total	**3,355,900**	**3,146,945**	**127,525**	**48,284**	**4,650**	**1,917**	**26,579**

2014 financial year

TEUR	Balance	Unimpaired	Subject to specific impairment charge	1–30 days past due, no specific impairment charge	31–60 days past due, no specific impairment charge	61–90 days past due, no specific impairment charge	Default – no specific impairment charge
Loans and receivables at amortised cost	**3,779,505**	**3,447,391**	**136,786**	**147,330**	**7,686**	**437**	**39,876**
Loans and advances to customers	3,111,527	2,779,413	136,786	147,330	7,686	437	39,876
Loans and advances to other banks	667,978	667,978	0	0	0	0	0
Trading assets	**19,491**	**19,491**	**0**	**0**	**0**	**0**	**0**
Total	**3,798,996**	**3,466,882**	**136,786**	**147,330**	**7,686**	**437**	**39,876**

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 obligation(s) within the framework of the existing credit agreement to prevent a default (e.g. exemption from interest, extension agreements for principal and/or interest payments, deferral of repayment). IAS 39.59 (c) considers these circumstances to constitute objective evidence of impairment in a financial asset.

In this respect, the internal procedures of the RLB Steiermark Group stipulate that in the event of "restructuring on the basis of credit standing" and/or in the case of concessions meeting the above criteria, appropriate monitoring and flagging mechanisms and/or impairment testing requirements must be put in place.

During the financial year under review, the carrying amounts of assets subject to forbearance developed as follows:

2015 financial year

TEUR	At 1 January	Additions	Increases	Disposals	At 31 December
Loans and receivables at amortised cost	350,767	64,559	9,022	-124,568	299,780

2014 financial year

TEUR	At 1 January	Additions	Increases	Disposals	At 31 December
Loans and receivables at amortised cost	459,495	5,490	1,973	-116,191	350,767

The column "Additions" shows deferred assets that were not previously subject to forbearance. Forbearance measures already in existence at the prior-year's reporting date are presented in the column "Increases". The column "Disposals" shows the net decrease in assets subject to forbearance, as well as the decrease caused by repayments and write-offs.

The following table presents the carrying amounts (before risk provisioning) of the assets for which concessions have been made due to financial hardship on the part of the borrower, broken down by type of agreement and indicating the amount of the specific and portfolio-based provisions for impairment losses.

2015 financial year TEUR	Corporate	Retail	Total
Loans and receivables at amortised cost			
Change of instalment amount (principal or general)	136,522	7,109	143,630
Restructuring provisions	128,040	28,110	156,150
Total loans and receivables at amortised cost	**264,561**	**35,219**	**299,780**
Specific provisions for impairment losses	**-101,767**	**-18,211**	**-119,978**
Portfolio-based provisions for impairment losses	**-806**	**-24**	**-829**

2014 financial year TEUR	Corporate	Retail	Total
Loans and receivables at amortised cost			
Change of instalment amount (principal or general)	151,429	1,561	152,990
Restructuring provisions	162,145	35,632	197,777
Total loans and receivables at amortised cost	**313,574**	**37,193**	**350,767**
Specific provisions for impairment losses	**-136,221**	**-23,235**	**-159,456**
Portfolio-based provisions for impairment losses	**-1,357**	**-79**	**-1,436**

2015 financial year

TEUR	Balance	Unimpaired	Impaired	Past due – no specific impairment charge	Default – no specific impairment charge**
Loans and receivables at amortised cost	299,780	91,096	199,305	0	9,379

** Amount of receivable without deduction of collateral.

2014 financial year

TEUR	Balance	Unimpaired	Impaired	Past due	Default – no specific impairment charge**
Loans and receivables at amortised cost	350,767	47,092	283,319	10,583	9,773

** Amount of receivable without deduction of collateral.

Non-performing loans

The non-performing loans ratio (NPL ratio) for loans and advances to customers amounted to 8.5% in 2015 (2014: 9.7%). 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. Taking into account the aggregate volume of loans and advances, the ratio of non-performing exposures (NPE ratio) for the Group came to 4.3% in 2015 (2014: 4.9%).

Specific impairments by customer segments

The share of the corporate customer segment in the specific impairment charges was 73.3% in the reporting year (2014: 79.4%), while retail customers accounted for a share of 26.3% (2014: 20.6%).

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 on the Group's equity funds, 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. A special early warning system has been developed for countries without a current external credit rating. The country risk accounted for 4.5% in the reporting year (2014: 4.0%) of the total credit risk. Due to its scale, it is only of minor importance.

Concentration risk – foreign currency loans

Country risk subsumes 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 bank's potential for loss.

In the case of foreign currency loans, concentration risk as a proportion of the overall credit risk was 4.7% in the reporting year (2014: 5.0%). 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 issued in the wake of the 2008 financial crisis, foreign currency loans are no longer extended to consumers. Furthermore, a downsizing plan is in place to reduce the foreign currency loan volume, which will ultimately also reduce borrower risks resulting from exchange rate volatilities, variable interest rates and fluctuations in the performance of repayment vehicles for loans repayable at term.

Reporting on foreign currency loans and repayment vehicle loans repayable at term is part of the reporting duties of Risk Controlling. The bank actively reduces the volume of these portfolios on an ongoing basis, and advice provided to customers regarding these products is directed towards risk reduction and asset preservation measures.

Counterparty risk – securities

Counterparty risk describes the risk of a declining credit rating or default on the part of the counterparty in the case of securities. This type of risk accounted for 8.1% in the reporting year (2014: 10%) of the total credit risk.

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 30.

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 requirements, CVA risk has been taken into account as part of the risk-bearing capacity calculation since 01.01.2015. CVA risk accounted for 1.7% of the total risk exposure in the reporting year.

Investment risk

The investment risk is comprised of the risk of potential losses in connection with participating interests which may materialise in the event of disposals and lost dividends, and in the case of impairments due to declining credit ratings. Possible risks related to investments are identified by the Investment Management department, which reports to the Risk Controlling division. Investment risk is assessed on the basis of credit rating analyses and target-actual comparisons. Investments are rated on a ten-part scale. Most of the investment risk results from sector investments. For a sensitivity analysis of investments, we refer to the information contained in the section "Notes to financial instruments".

Market price risk

Market price risk describes the risk that losses will be incurred due to changes in prices on financial markets for the bank's positions in the trading and banking book.
Market price risks may arise in the form of interest rate change risk, currency risk, option risk, exchange risk, spread risk, equity risk, gold risk, commodity risk and real estate risk.
The risks are calculated using value at risk (VaR) methods and supplementary statistical methods. They are monitored regularly and are reported in the risk management committees in accordance with ICAAP requirements.
The VaR figures represent forecast maximum losses on the basis of historic simulations. The VaR values are calculated on the basis of a 99.9% confidence level and a holding period for banking book positions of 250 days (2014: 180 days) and 90 days for trading book positions (2014: 90 days). 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.

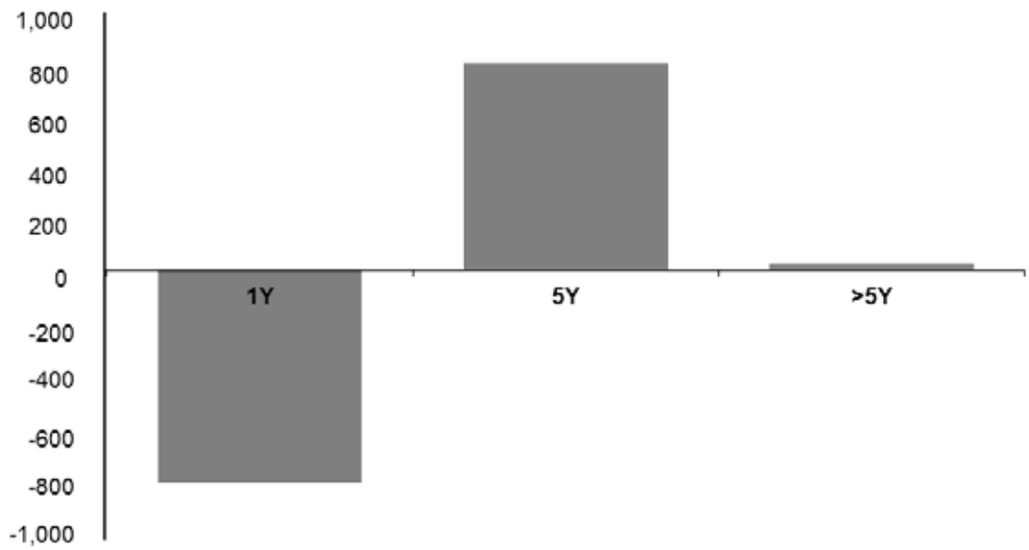
Portfolio – extreme case scenario	VaR 2015	VaR 2014
Interest rate change risk, banking book	18.0 million	68.8 million
Banking book (interest rate risk, price risk, credit spread risk, equity risk) – securities only	75.5 million	137.2 million
Trading book (interest rate risk, price risk, credit spread risk, equity risk)	1.8 million	5.8 million

	Risk 2015	Risk 2014
Option risk, currency risk	1.5 million	0.6 million

The downward trend in interest risk, securities investment risk, and trading book risk is attributable in part to the risk management strategies employed by the responsible front office units. It results further from the methodological approach that underlies the risk management strategies employed (elimination of highly volatile scenarios in the historical simulation analysis).

All trading book portfolio positions are measured daily at market prices and subjected to a limit monitoring process. The interest rate change risk is determined in compliance with the regulatory requirements related to interest rate risk statistics by simulating a parallel shift in the interest rate curve by 200 basis points. Further models and simulations, in which stress tests play a key role, are being used to manage interest rate risk. As part of the ongoing management of interest rate positions, interest rate sensitivities calculated using basis point values (with an interest rate curve shift either up or down by 1 BP) are taken into account. Furthermore, book risks (gamma, vega, smile) and basic risks are measured, controlled and limited.

Fixed interest rate gap structure at 31.12.2015 (EUR million)



Operational risks

Operational risk reflects the risk of direct or indirect losses resulting from inadequate or failed internal processes, individuals and systems, or from external events. It also includes legal risk.

The basis indicator approach is used to measure operational risk. A risk-adequate internal control system and scheduled and unscheduled inspections by Internal Auditing/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.

Liquidity risk

Liquidity risk describes the risk that the bank will be unable to adequately fulfil its current and future payment liabilities in a timely manner, or that it will be unable to procure an adequate level of liquidity at the expected terms in the event of a liquidity shortage. Liquidity management is the responsibility of the Treasury division, while the Market Risk Control division is responsible for risk measurement.

Liquidity risk is measured both on a going concern and a worst case basis. When measuring liquidity from the going concern perspective, the risk associated with terms and conditions, the reinvestment risk and the refinancing risk are considered in the risk-bearing capacity calculation. For the liquidity risk in worst-case scenarios, a VaR figure is calculated in the front office system based on historic simulations. Structural liquidity is controlled and monitored via capital commitment reports. Undetermined capital commitments are taken into account using theoretical maturity scenarios in accordance with the reference rate protocol. In addition, scenario analyses are conducted at regular intervals.

For the purpose of securing liquidity, securities eligible for ECB and SNB tenders and tenderable loans are provided as collateral. In 2015, proactive steps were taken to generate additional cover-pool eligible securities in order to launch additional issues that are eligible as covering assets. The corresponding risk-accompanying measures and systems were successfully optimised and extended.

The applicable legal and regulatory provisions were adhered to continuously during the reporting period.
In 2015, EU Delegated Regulation 2015/61 introduced new liquidity risk management reporting requirements. The parameters that now must be reported include liquidity coverage ratio (LCR) and asset encumbrance (list of encumbered assets).

One of the core functions of RLB Steiermark is that of providing clearing services between the Styrian Raiffeisen banks, a role that is also enshrined in the Austrian Banking Act (central institution pursuant to § 27a BWG). In the hierarchical structure of the Raiffeisen Banking Group in Styria, the local Raiffeisen banks are primarily responsible for deposit and lending transactions with end customers. The RLB Steiermark Group acts analogously in its own local area of operations while concurrently executing liquidity transfers within the Raiffeisen Banking Group in Styria.

In compliance with the agreed liquidity management policies and limits set by the sector committees, liquidity management is conducted on a decentralised basis by the Raiffeisen banks. Within the RLB Steiermark Group, liquidity management is the responsibility of the Capital Markets & Treasury division.

In the retail deposit sector, the Raiffeisen Banking Group in Styria holds the position of market leader, which is associated with approximately 800,000 customer relationships and some 500,000 members. Due to the Group's broad-based scope of operations which focuses on the retail sector, around 70% of the deposits held by the Styrian Raiffeisen banks are covered by the state deposit protection scheme.

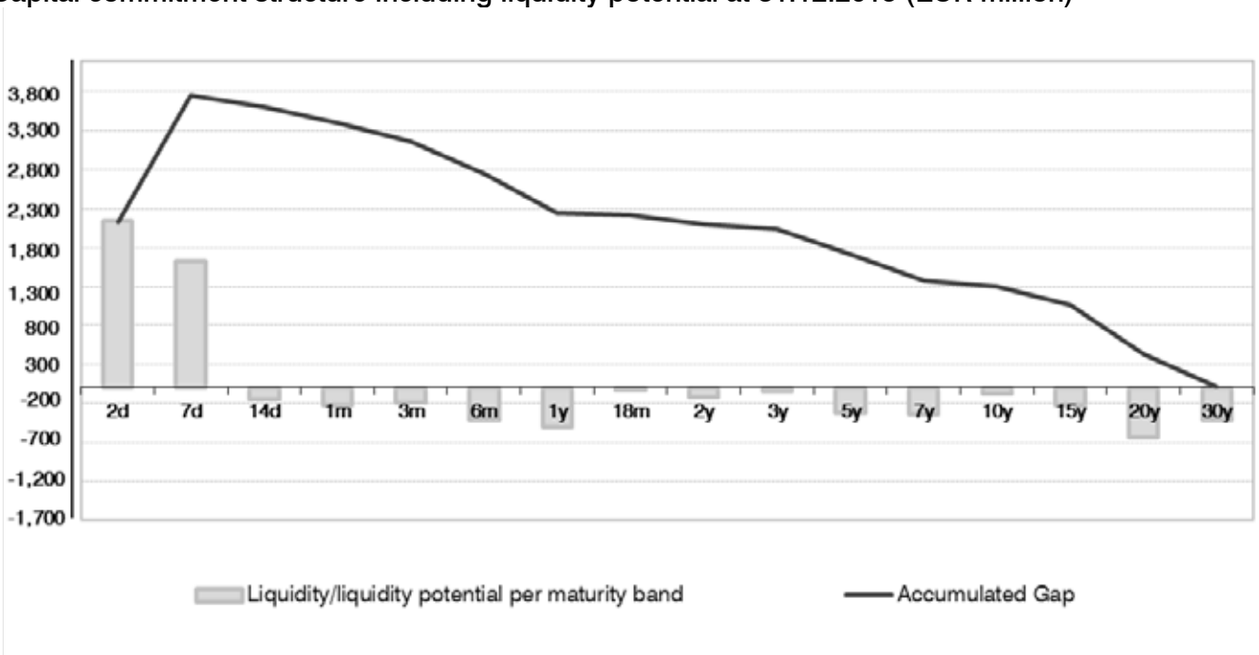
The joint Group Treasury also fulfils important functions for the Raiffeisen banks. It is responsible for the liquidity management in connection with bonds issued by RLB Steiermark for Styrian securities customers, and also offers Raiffeisen banks the possibility of providing RLB Steiermark, in its role as central clearing facility, with customer loans for central bank transactions with the OeNB/ECB and for the jointly managed Aaa-rated cover pools. As at 31.12.2015, the aggregate volume of cover assets within the RLB Group stood at approximately EUR 3 billion, which corresponds to approximately 20,000 loans granted to customers in the context of mortgage and public sector lending. Financial instruments issued by the RLB Steiermark Group totalled around EUR 1.1 billion at year-end 2015.

Beyond its management of cover assets, the joint Group Treasury also performs other key funding and liquidity functions.

The RLB Steiermark Group has instituted a highly developed liquidity management system, which facilitates the daily and intraday control of cash holdings and forecasted cash flows generated by customers and/or the bank. All key risk indicators and control metrics mandated by regulatory standards (BWG, CRR), the supervisory authorities (FMA/OeNB), the Austrian Raiffeisen deposit protection guarantee scheme, and internal limits are monitored and managed on an ongoing basis. Parameters such as stress scenarios, the liquidity coverage ratio, key operational and structural liquidity indicators, and the liquidity value-at-risk (LVaR) are particularly important elements in the risk management process.

RLB Steiermark also monitors potential liquidity outflows that arise from impending new business activity and off-balance sheet items. Moreover, the retention times for deposits of all kinds and the utilisation periods and amounts of loans with an indefinite term or an extension option for the borrower are subjected to empirical analyses at periodic intervals.

Capital commitment structure including liquidity potential at 31.12.2015 (EUR million)



Other risks

Other risks include macroeconomic risk and the risk buffer.

Macroeconomic risk

Macroeconomic risk results from an overall decline in economic conditions within the context of the classical economic cycle and any resultant increases in relevant risk parameters. To ensure that the bank will have sufficient covering assets even after such periods of decline without having to instigate massive interventions and measures, macroeconomic risk factors are taken into account. The quantification assumes a downturn in GDP with a resultant deterioration of default rates. Based on these default rates, the credit risk is recalculated and the difference to the original credit risk constitutes the macroeconomic risk.

Risk buffer

A risk buffer is factored in for other, non-quantifiable risks.

OTHER DISCLOSURES

33. Related party transactions

An overview of loans and advances, liabilities and contingent liabilities to parent companies, companies carried at equity and related parties is provided below.

Related party disclosures as at 31.12.2015 break down as follows:

Balance sheet

TEUR	Parent companies	Companies carried at equity	Related entities	Related persons
Loans and receivables at amortised cost (after impairment charges)	0	2,301,352	138,468	1,385
Trading assets	0	102,567	0	1
Financial assets designated at fair value	0	10,431	0	0
Financial assets available for sale	0	119,136	63,465	0
Other assets	0	4,290	1,191	0
Financial liabilities at amortised cost	4,628	57,996	81,980	752
Trading liabilities	0	5,047	0	3
Provisions	0	0	8,276	0
Other liabilities	0	35	1,665	0

For loans and advances to related parties, specific impairment allowances totalling TEUR 25,093 (2014: TEUR 43,145) were made. Furthermore, provisions for off-balance sheet transactions with related parties were recognised in an amount of TEUR 8,276 (2014: TEUR 2,768).

Loans and advances to companies carried at equity essentially relate to RZB.

Income statement

TEUR	Parent companies	Companies carried at equity	Related entities	Related persons
Interest and similar income	0	37,055	12,111	16
Interest and similar expenses	0	-3,836	-422	-2
Charges for impairment allowances on loans and advances	0	0	-1,084	0
Net fee and commission income	0	85	119	1
Net profit/loss from financial assets – available for sale	0	0	-116	0
Other operating profit/loss	0	-458	330	0

Related party disclosures as at 31.12.2014 break down as follows:

Balance sheet

TEUR	Parent companies	Companies carried at equity	Related entities	Related persons
Loans and receivables at amortised cost (after impairment charges)	0	2,165,549	156,419	1,756
Trading assets	0	36,831	718	0
Financial assets designated at fair value	0	13,544	0	0
Financial assets available for sale	0	116,744	62,944	0
Other assets	0	4,290	1,427	0
Financial liabilities at amortised cost	4,427	45,938	42,724	664
Trading liabilities	0	11,268	0	0
Provisions	0	0	2,768	0
Other liabilities	0	51	1,419	0

Income statement

TEUR	Parent companies	Companies carried at equity	Related entities	Related persons
Interest and similar income	0	26,117	12,387	21
Interest and similar expenses	0	-3,066	-421	-1
Net fee and commission income	0	76	151	3
Net profit/loss from financial assets – available for sale	0	0	-17,903	0
Other operating profit/loss	0	95	464	0

By definition, the parent companies are the non-operational financial holding companies RLB-Stmk Verbund and RLB-Stmk Holding. As at 31.12.2015, RLB-Stmk Verbund, which is a 100% subsidiary of the Styrian Raiffeisen banks, is the largest shareholder in RLB-Stmk Holding, with an investment of 95.16% (2014: 95.13%). RLB-Stmk Holding in turn holds an investment of 84.08% (2014: 86.50%) in RLB Steiermark.

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 companies carried at equity.

Related parties are deemed to be subsidiaries and equity investments that are not included in the consolidated financial statements due to their secondary importance.

Natural persons who according to IAS 24 are considered to be related, are first and foremost the members of the Managing Board and the Supervisory Board of Raiffeisen-Landesbank Steiermark AG, the members of the Managing Board of Landes-Hypothekenbank Steiermark Aktiengesellschaft, and the close family members of all these individuals.

The business relations with the named entities and persons are conducted in the context of usual banking business. Above all, such business pertains to investments and refinancing. Banking transactions with related parties in the normal course of business activities are entered into on arm’s length terms and conditions. The receivables and liabilities with respect to these parties pertain to loans, sight and time deposits.

34. Managing Board and Supervisory Board remunerations

The active members of the Managing Board and the Supervisory Board of RLB Steiermark, and the Managing Board of Landes-Hypothekenbank Steiermark Aktiengesellschaft, are deemed to be members of the key management personnel in accordance with IAS 24.9.

Remuneration for the active members of the Managing Board breaks down as follows:

TEUR	2015	2014
Short-term benefits	1,625	1,557
Post-employment benefits	51	206
Other long-term benefits	9	46
Aggregate total	**1,685**	**1,809**

The salaries of the former members of the Managing Board amounted to TEUR 172 during the reporting year (2014: TEUR 104).

During the year under review, the members of the Managing Board received supervisory board remuneration payments from fully consolidated subsidiaries amounting to TEUR 25 (2014: TEUR 25).

In 2015, emoluments amounting to TEUR 213 (2014: TEUR 213) were paid to the members of the Supervisory Board.

35. Foreign currency volumes

The consolidated financial statements comprise the following volumes of assets and liabilities denominated in foreign currencies:

TEUR	2015	2014
Assets	980,842	1,214,604
Liabilities	254,020	619,574

36. Foreign assets/liabilities

Assets and liabilities arising from transactions with counterparties outside Austria break down as follows:

TEUR	2015	2014
Assets	2,427,009	3,177,790
Liabilities	3,187,886	3,547,506

37. Subordinated assets

TEUR	2015	2014
Loans and receivables at amortised cost	6,459	6,421
Financial assets – designated at fair value through profit or loss	2,308	2,281
Financial assets – available for sale	85	85

38. Subordinated liabilities and supplementary capital

The following subordinated bonds were issued:

Description/characteristics	Currency	Amount in TEUR	Interest rate	Maturing on	Year of issue
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	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 2015-2022" (ISIN AT000B092440) – tap issue	EUR	1,680	3.40	11.08.2022	2015

The subordinated loans in the amount of TEUR 25,175 (2014: TEUR 17,036) constitute subordinated liabilities as defined in § 51 (9) BWG and § 45 (4) BWG and therefore, pursuant to Article 63 of Regulation (EU) No. 575/2013 (Capital Requirements Regulation, CRR), are included in instruments of supplementary capital since 1.1.2014.

Redemption prior to call date: Raiffeisen-Landesbank Steiermark AG is entitled to call all subordinated bonds at 100% of the nominal value with the approval of the Austrian Financial Market Authority (FMA) for regulatory (e.g. legislative changes) or fiscal reasons.

The interest expenses for subordinated liabilities came to TEUR 825 in the year under review (2014: TEUR 509).

39. Contingent liabilities and other off-balance sheet liabilities and commitments

Contingent liabilities:

TEUR	2015	2014
Contingent liabilities from guarantees and other indemnity commitments provided to non-banks	252,490	272,555
Contingent liabilities from guarantees and other indemnity commitments provided to banks	17,377	7,264
Contingent liabilities from the supplement required from members of cooperatives in respect of amounts guaranteed	743	743
Total contingent liabilities	**270,610**	**280,562**
Provision for off-balance sheet transactions	14,307	12,950
Total	**256,303**	**267,612**

Commitments:

TEUR	2015	2014
Unused credit lines – up to 1 year	765,154	570,447
Unused credit lines – more than 1 year	423,619	328,688
Total commitments	**1,188,773**	**899,135**
Provision for off-balance sheet transactions	18,483	11,114
Total	**1,170,290**	**888,021**

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. The capacity of any one member of the association will depend on its freely available reserves subject to the pertinent provisions of BWG.

As it is impossible to determine the amount of the potential liability of Raiffeisen-Landesbank Steiermark AG arising from the guarantee association, the guarantee obligation was accounted for by recognition of a nominal amount of one euro in the balance sheet. To the same extent, all customer deposits of Raiffeisen-Landesbank Steiermark AG and all financial instruments issued by it are protected by this guarantee association. This protection exceeds the statutory guarantee under § 93 BWG.

The customer deposit guarantee association of Raiffeisen-Geldorganisation Steiermark is, for its part, a member of the Raiffeisen customer deposit guarantee association in Austria (Raiffeisen-Kundengarantiegemeinschaft Österreich). Members of the association are Raiffeisen Zentralbank Österreich AG, Raiffeisen Bank International AG and other regional Raiffeisen customer deposit guarantee associations. The purpose of the association is the same as that of the Raiffeisen-Geldorganisation Steiermark customer deposit guarantee association with respect to Raiffeisen Zentralbank Österreich AG, Raiffeisen Bank International AG and the members that have joined the regional Raiffeisen customer deposit guarantee associations.

The regulatory changes introduced under Basel III also mandated additional prudential adjustments for decentralised banking groups, particularly the establishment of institutional protection schemes (IPS). An IPS is a liability or indemnity agreement created via contractual agreement or through articles of association, statutes or charters, the intent of which is to provide protection for member banks in a decentralised banking group. Such an agreement sets out the terms according to which the member banks stand together to achieve mutual solidarity. For the purpose of determine capital adequacy, Article 49 CRR stipulates that banks must generally deduct the equity instruments of other banks they hold unless the exemption under Article 49 (3) CRR (institutions that fall within the same IPS) applies. Raiffeisen-Landesbank Steiermark is a member of the regional state IPS, to which all Raiffeisen banks in Styria belong. In addition, it holds membership in the federal IPS, the members of which also include Raiffeisen Zentralbank Österreich (RZB), Austria's regional Raiffeisen banks (Raiffeisenlandesbanken), the Raiffeisen Wohnbaubank and the Raiffeisen Bausparkasse. Pursuant to Article 113 (7) of the CRR, a bank may, subject to consent from the relevant regulatory authorities, assign a risk weighting of 0% to risk exposures in respect of counterparties with whom the bank has signed an IPS. However, this does not apply to risk exposures that represent items of core Tier 1 capital, additional Tier 1 capital or Tier 2 capital as specified by the CRR.

The Austrian Financial Market Authority (FMA) has issued preliminary approval for both of the institutional protection schemes in which Raiffeisen-Landesbank Steiermark holds membership.

40. Assets pledged as collateral

The following liabilities were collateralised by assets recognised on the balance sheet:

TEUR	2015	2014
Financial liabilities at amortised cost	795,821	807,346
Financial liabilities – designated at fair value through profit or loss	303,051	362,117
Total	**1,098,872**	**1,169,463**

The following assets recognised on the balance sheet were pledged as collateral:

TEUR	2015	2014
Cover pool for open market operations	1,018,757	459,388
Cover pool for fiduciary funds	18,368	16,109
Other cover pool assets	1,316,969	1,086,378
Total	**2,354,094**	**1,561,875**

During the reporting year, securities amounting to TEUR 0 (2014: TEUR 35,761) were assigned for use by third parties (securities lending). The contractual terms that are associated with the use of these securities are standard banking terms.

Breakdown of non-Group assets pledged as collateral:

TEUR	2015	2014
Cover pool for ECB tenders	160,544	321,365
Cover pool for covered bonds	1,835,213	1,753,669
Total	**1,995,757**	**2,075,034**

For ECB tender transactions, non-Group securities amounting to TEUR 160,544 (2014: TEUR 166,071) and credit claims totalling TEUR 0 (2014: TEUR 155,294) were deposited.

The non-Group securities for covered bonds relate solely to credit claims.

41. Repurchase transactions

In the context of genuine repurchase agreements, the following repurchase and redelivery commitments existed at 31 December:

TEUR	2015	2014
Genuine repurchase agreements as seller		
Trading liabilities:		
Deposits from banks	500,018	150,003
Liabilities to customers	0	0
Total	**500,018**	**150,003**

TEUR	2015	2014
Genuine repurchase agreements as buyer (reverse repurchase agreement)		
Trading assets		
Loans and advances to other banks	250,001	0
Total	**250,001**	**0**

The assets provided and/or accepted as collateral under genuine repurchase agreements break down as follows:

TEUR	2015	2014
Assets transferred under repurchase agreements		
Loans and receivables at amortised cost	166,128	0
Financial assets – designated at fair value through profit or loss	0	119,268
Financial assets – available for sale	0	37,682
Total	**166,128**	**156,950**

Non-Group securities totalling TEUR 133,884 (2014: TEUR 0) were used in the context of refinancing operations through tender transactions. Assets transferred under repurchase agreements, totalling TEUR 300,012 in the reporting year (2014: TEUR 150,003), serve as collateral for liabilities to other banks.

TEUR	2015	2014
Securities received under repurchase agreements		
Bonds and other fixed-income securities	51,973	0

42. Finance leasing

Finance leasing – lessor:

TEUR	2015	2014
Gross investment value	**218,420**	**236,120**
Minimum lease payments	150,634	166,583
Up to 1 year	26,532	28,299
1 to 5 years	62,115	65,201
5 years and over	61,987	73,083
Non-guaranteed residual values	67,786	69,537
Unrealised financial income	**27,859**	**32,551**
Up to 1 year	3,782	4,267
1 to 5 years	10,381	11,616
5 years and over	13,696	16,668
Net investment value	**190,561**	**203,569**

Impairment allowances for uncollectible, outstanding minimum lease payments amounted to TEUR 22,414 (2014: TEUR 22,414).

TEUR	2015	2014
Vehicle leasing	34,048	26,838
Real estate leasing	124,476	141,970
Equipment leasing	32,037	34,761
Total	**190,561**	**203,569**

43. Operating leasing

Operating leasing – lessor:

Future lease payments under non-terminable operating leases break down as follows:

TEUR	2015	2014
Up to 1 year	2,440	2,967
1 to 5 years	3,421	4,318
5 years and over	30	2
Total	**5,891**	**7,287**

Operating leasing – lessee:

The liabilities arising from the use of property and equipment not recognised on the balance sheet amount to TEUR 1,143 for the financial year following the reporting date (2014: TEUR 2,652). The total liabilities for the following five financial years total TEUR 5,371 (2014: TEUR 12,602).

44. Financial investments pursuant to § 64 BWG

The breakdown of securities listed and/or admitted to stock exchange trading by fixed and current assets is as follows:

Securities held as fixed assets (financial investments):

TEUR	2015	2014
Bonds and other fixed-income securities	726,829	953,062

Securities held as current assets:		
TEUR	**2015**	**2014**
Bonds and other fixed-income securities	991,388	966,526

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.

45. Bonds, other fixed-income securities and bonds issued by the Group pursuant to § 64 (1) (7) BWG

Bonds and other fixed-income securities maturing in the year following the reporting date:

TEUR	2015	2014
Bonds and other fixed-income securities	335,307	355,690
Bonds issued by the Group	350,803	168,227

46. Trading book volume pursuant to Art. 103 et seq. of Regulation (EU) No. 575/2013

TEUR	2015	2014
Derivative financial instruments		
positive fair values	94,525	139,264
negative fair values	114,381	134,440
Securities	94,988	117,159
Loans and deposits	1,566,414	982,243

47. Loans and advances to Managing Board and Supervisory Board members

TEUR	2015	2014
Managing Board members	975	1,085
Supervisory Board members	505	668

Repayments were made as agreed; terms to maturity and interest rates were those generally available from banks.

48. Expenses for severance payments and pensions

Severance payments:

TEUR	2015	2014
Managing Board and senior employees	235	608
Other employees	1,590	7,168

Pensions:

TEUR	2015	2014
Managing Board and senior employees	989	2,980
Other employees	2,189	6,271

49. Expenses for remuneration of the auditors

The remuneration recognised in the financial year under review for auditing the consolidated and individual financial statements, as well as other services provided by the auditors, KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft and Österreichischer Raiffeisenverband (ÖRV), breaks down as follows.

	2015			2014		
TEUR	ÖRV	KPMG	Other	ÖRV	KPMG	Other
Audit fees	549	403	0	549	392	0
Other auditing services	0	0	0	0	0	0
Other services	12	73	72	42	254	65
Total	**561**	**476**	**72**	**591**	**646**	**65**

Pursuant to § 237 (14) UGB, the auditor's remuneration for the individual financial statements of the subsidiaries is published as part of the notes to the consolidated financial statements. Thus, the auditor's remuneration (gross figures) is presented cumulatively for the Group and the subsidiaries.

50. Average number of employees

	2015	2014
Waged employees	0	0
Salaried employees	963	974
Total	**963**	**974**

51. Regulatory own funds

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

With effect from 1 January 2014, determination of Raiffeisen-Landesbank Steiermark's consolidated regulatory capital and consolidated regulatory capital requirements is based on the CRR scope of consolidation of RLB-Stmk Verbund eGen under Basel III. Within the European Union (EU), the Basel III regulations will be implemented under the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR). Raiffeisen-Landesbank Steiermark applies these regulations and determines the capital ratios mandated by Basel III standards on the basis of national transitional provisions defined in the Austrian regulation transposing the CRR published by the Austrian banking supervisory authority (FMA).

According to the CRR, own funds consist of common equity core capital (Common Equity Tier 1 – CET 1), additional core capital (Additional Tier 1 – AT 1) and supplementary capital (Tier 2 – T 2). The capital ratios are determined by comparing the relevant capital components with the total risk, after consideration of all regulatory deductions and/or adjustment items.

TEUR	31.12.2015	31.12.2014
Capital instruments eligible as CET 1 capital	252,452	252,448
Retained earnings	440,297	324,575
Accumulated other comprehensive income	-107,096	-49,100
Other reserves	545,004	543,259
CET 1 capital before deduction and adjustment items	**1,130,657**	**1,071,182**
Gains and losses on liabilities measured at fair value resulting from changes in the institution's own credit risk	-42,499	-13,531
Fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-1,222	-328
Value adjustments due to the requirements for prudent valuation	-9,280	-8,403
Goodwill	0	-7,415
Other intangible assets	-7,145	-11,394
Deferred tax assets that rely on future profitability excluding those arising from temporary differences, net of associated tax liabilities	-40,616	-36,793
Other transitional adjustments to core capital	-37,694	-109,656
Adjustments to CET 1 capital due to deduction and adjustment items	**-138,456**	**-187,520**
CET 1 capital	**992,201**	**883,662**
Additional Tier 1 capital	**0**	**0**
Core capital	**992,201**	**883,662**
Capital instruments and subordinated loans eligible as T2 capital	24,641	17,036
Transitional adjustments due to grandfathered T2 capital instruments and subordinated loans	35,325	51,243
Supplementary capital	**59,966**	**68,279**
Total eligible own funds	**1,052,167**	**951,941**

TEUR	31.12.2015	31.12.2014
Minimum capital requirement for credit risk	5,481,539	5,811,556
Minimum capital requirement for the position risk of debt instruments	100,170	111,005
Minimum capital requirement for the risk of foreign currency positions	54,774	33,977
Minimum capital requirement for operational risk	493,219	525,683
Minimum capital requirement for CVA risk	169,466	204,129
Total risk (minimum capital requirement)	**6,299,168**	**6,686,350**
Tier 1 ratio (in relation to all risks)	**15.75%**	**13.22%**
Own funds ratio (in relation to all risks)	**16.70%**	**14.24%**

The minimum capital requirements were complied with at all times during the 2015 financial year. The 2015 financial year was closed with an equity surplus of TEUR 548,234 at 31.12.2015.

52. Capital management

Capital is and always has been an integral component of the RLB Steiermark Group's bank management system, with a number of control parameters being considered. Ensuring an appropriate level of capital resources and compliance with the regulatory own funds requirements take precedence over all other considerations.

Regulatory values are defined for the RLB Steiermark Group by the Austrian Banking Act (BWG) based on the relevant EU directives and the applicable regulations of the European Parliament.

The RLB Steiermark Group uses target values for internal management and control processes that cover all types of risk 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.

The main management focus is on common equity core capital (CET 1) and economic capital within the ICAAP framework. Both components are integral to the RLB Steiermark Group's planning and management activities.

The steps taken to comply with the regulatory requirements relating to own funds are set out in note 51 "Regulatory own funds".

As part of the ICAAP capital adequacy assessment process, value at risk is correlated with risk-bearing capacity. A monthly comparison is carried out between the economic capital and the relevant available risk cover funds and the applicable internal limits.

Further details regarding this calculation are stated in the risk report.

To ensure an adequate level of capital resources, capital planning processes are periodically updated to reflect current developments. In addition, scenario calculations are performed and analysed, the outcomes of which are incorporated into management considerations.

53. Events after the reporting date

In January 2016, Raiffeisen-Landesbank Steiermark AG launched a fixed-interest bond with a volume of EUR 500 million and a tenor of 7 years on the international financial market. Despite the challenging capital market environment, the bond sold out in just three hours, providing ample proof that a banking group with strong regional roots can also distinguish itself on the international financial stage.

Beyond that, to the present date, no other business transactions or events have taken place that would be of particular public interest or might materially affect the 2015 consolidated financial statements.

SCOPE OF CONSOLIDATION AND INFORMATION ON COMPANIES CARRIED AT EQUITY

The table below shows the fully consolidated members of the RLB Steiermark Group. A list showing the full details of equity interests is presented in the annex.

TEUR	Percentage held	Equity including untaxed reserves (TEUR)	Profit/loss[2)] (TEUR)	Date of annual financial statements
"DÖHAU" Liegenschaftsges.m.b.H., Graz	81.25%	-632	-5	31.12.2015
Belua Beteiligungs GmbH, Graz	100.00%	44,521	6,347	31.12.2015
Columbia Beteiligungs GmbH, Graz	75.00%	-199	-3	31.12.2015
FUTURA LHB-RLB Leasing Holding GmbH, Graz	93.73%	12	-4	31.12.2015
Grundstücksverwaltung Salzburg-Mitte GmbH, Graz	75.00%	-387	85	31.12.2015
RLB-Stmk Immobilienbeteiligungs- und Verwaltungs GmbH, Graz	100.00%	67,663	987	31.12.2015
HSE Beteiligungs GmbH, Graz	100.00%	29,850	-1,471	31.12.2015
HST Beteiligungs GmbH, Graz	100.00%	29,845	-1,473	31.12.2015
HYPO Steiermark Beteiligungen GmbH, Graz	75.00%	3,621	-71	31.12.2015
HYPO Steiermark Immobilienleasing GmbH, Graz	75.00%	901	177	31.12.2015
HYPO Steiermark Kommunal- und Gebäudeleasing GmbH, Graz	75.00%	1,329	60	31.12.2015
HYPO Steiermark Leasing - Holding GmbH, Graz	75.00%	761	52	31.12.2015
HYPO Steiermark PUNTI Grundstücksverwaltung GmbH, Graz	75.00%	259	466	31.12.2015
Hypo-Leasing Steiermark d.o.o., Zagreb	93.73%	444	-574	31.12.2015
Immobilienerwerbs- und Vermietungs Gesellschaft m.b.H., Graz	100.00%	73,559	1,340	31.12.2015
LAMINA Beteiligungs GmbH, Graz	100.00%	38,159	6,348	31.12.2015
Landes-Hypothekenbank Steiermark Aktiengesellschaft, Graz	75.00%	132,870	3,787	31.12.2015
Merula Beteiligungs GmbH, Graz	100.00%	-395	37	31.12.2015
NOVA HYPO Leasing GmbH, Graz	75.00%	-532	964	31.12.2015
NWB Beteiligungs GmbH, Graz	100.00%	1,271	26	31.12.2015
Optima-Vermögensverwaltungs- und Beteiligungsgesellschaft m.b.H., Graz	100.00%	6,537	-396	31.12.2015
Raiffeisen Informatik Center Steiermark GmbH, Graz	94.75%	20,581	0	31.12.2015
Raiffeisen Rechenzentrum GmbH, Graz	100.00%	810	469	31.12.2015
Raiffeisen Rechenzentrum Holding GmbH, Graz	100.00%	22,193	340	31.12.2015
RATIO Beteiligungsverwaltungs GmbH, Graz	75.00%	1,352	162	31.12.2015
RLB - Beteiligungs- und Treuhandgesellschaft m.b.H., Graz	100.00%	96,644	2,989	30.09.2015
RLB-Hypo Group Leasing Steiermark GmbH, Graz	100.00%	52	47	31.12.2015
RLB-Stmk Management GmbH, Graz	100.00%	44,713	751	31.12.2015
RSAL Raiffeisen Steiermark Anlagenleasing GmbH, Graz	81.00%	46	-3	31.12.2015
RSIL Immobilienleasing Raiffeisen Steiermark GmbH, Graz	81.00%	-1,381	-66	31.12.2015
SOLUTIO Beteiligungsverwaltungs GmbH, Graz	100.00%	1,040	-1,039	31.12.2015
Steirische Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H., Graz	100.00%	6,961	207	31.12.2015

[2)] Profit/loss before changes in reserves and profit transfer.

The RLB Steiermark Group's scope of consolidation includes a structured entity.

This entity consists of a special fund in which the RLB Steiermark Group holds a 100% interest. After consideration of the factors specified in IFRS 10.B60, it appears that the structured entity is acting as an agent.

TEUR	Percentage held	Fund assets (TEUR)	Fund profit/loss (TEUR)	Date of annual statement of accounts
DASAA 8010, Graz	100.00%	232,183	11,539	31.10.2015

The following subsidiaries hold significant stakes in non-controlling interests:

Name	Registered office	Equity attributable to non-controlling interests		Date of annual financial statements
		2015	2014	
Landes-Hypothekenbank Steiermark Aktiengesellschaft	Graz	25.00%	25.00%	31.12.2015
HYPO Steiermark Leasing - Holding GmbH	Graz	25.00%	25.00%	31.12.2015

Summary of financial information about subsidiaries with significant minority interests:

The figures indicated are taken from the separate IFRS financial statements pursuant to IFRS 12 B10 and B11.

TEUR	Landes-Hypothekenbank Steiermark Aktiengesellschaft		HYPO Steiermark - Leasing Holding GmbH	
	2015	2014	2015	2014
Net interest income	48,712	60,380	0	-1
Profit/loss for the year after taxes	3,101	-13,032	52	-5,168
Profit/loss for the year attributable to non-controlling interests	775	-3,258	13	-1,292
Other comprehensive income	-5,811	1,885	-37	111
Consolidated comprehensive income	**-2,710**	**-11,147**	**15**	**-5,057**
Consolidated comprehensive income attributable to non-controlling interests	-678	-2,787	4	-1,264

TEUR	Landes-Hypothekenbank Steiermark Aktiengesellschaft		HYPO Steiermark - Leasing Holding GmbH	
	2015	2014	2015	2014
Assets	4,380,369	4,951,065	1,681	1,861
Liabilities	4,161,630	4,729,881	847	1,041
Equity	**218,739**	**221,184**	**834**	**820**
Equity attributable to non-controlling interests	54,685	55,296	209	205

The following associate is of significant importance for the RLB Steiermark Group and is carried at equity:

Name	Relationship	Registered office	Percentage held	Date of annual financial statements
Raiffeisen Zentralbank Österreich AG	Central banking institution	Vienna	15.32%	31.12.2015

Summary of financial information about companies carried at equity:

TEUR	2015	2014
Net interest income	3,623,422	4,024,113
Consolidated profit/loss after taxes	465,354	-432,293
Other comprehensive income	-141,980	-1,223,581
Consolidated comprehensive income	**323,374**	**-1,655,874**

TEUR	2015	2014
Assets	138,425,830	144,928,901
Liabilities	129,129,703	135,597,301
Equity	**9,296,127**	**9,331,600**

Reconciliation to carrying amounts of companies carried at equity:

TEUR	2015	2014
Consolidated equity Raiffeisen Zentralbank Österreich AG as at 31 December	9,296,127	9,331,600
Equity attributable to non-controlling interests	3,908,160	4,004,054
Consolidated equity attributable to the shareholders of Raiffeisen Zentralbank AG	**5,387,967**	**5,327,546**
Equity attributable to the RLB Steiermark Group as at 31 December	825,173	815,919
Goodwill (before impairment)	7,415	7,415
Impairment	-25,674	0
Elimination of intragroup gains/losses pursuant to IAS 28.28	-5,681	0
Companies carried at equity as at 31 December	**801,233**	**823,334**

The balance sheet value of the companies carried at equity shown as at 31.12.2015 corresponds to a share of 15.32% in the consolidated equity of Raiffeisen Zentralbank Österreich AG.

BOARDS AND OFFICERS

Managing Board

Chairman
CEO Martin **SCHALLER**

Members of the Managing Board
Member of the Managing Board Martin **SCHALLER**
Member of the Managing Board Matthias **HEINRICH**
Member of the Managing Board Rainer **STELZER**

Supervisory Board
Executive committee:
Wilfried **THOMA**, President
Chairman of RLB-Stmk Verbund eGen and Chairman of Raiffeisenbank Leoben-Bruck eGen

Herbert **KOLB**, First Vice President
Managing Director of Raiffeisenbank Gröbming eGen

Josef **HAINZL**, Second Vice President
Chairman of the Supervisory Board of Raiffeisenbank Aichfeld eGen

Members of the Supervisory Board:
Werner **FÜRNSCHUSS**
Chairman of the Supervisory Board of Raiffeisenbank Deutschlandsberg eGen

Romana **GSCHIEL-HÖTZL** (from 27.05.2015)
Managing Director of Raiffeisenbank Bad Radkersburg-Klöch eGen

Alois **PABST**
Chairman of Lagerhaus Graz Land reg.Gen.m.b.H.

Eugen **ROTH** (until 28.02.2015)
Managing Director of Raiffeisenbank Leibnitz eGen

Josef **SCHEROUNIGG**
Managing Director of Raiffeisenbank Graz-Straßgang eGen

Hubert **STIENINGER**
Managing Director of Raiffeisenbank Mittleres Mürztal eGen

Gernot **REITER**
Management Board Chairman of HYPO-VERSICHERUNG AG

Josef **ZÜGNER**
Chairman of Raiffeisenbank Großwilfersdorf eGen

Delegated by the employees' council:

Sabine **FUCHS**
Elmar **GASSNER** (until 27.03.2015)
Eva **PILGER**-BUCHEGGER
Harald **KORSCHELT**
Michael **THIER**
Bernhard **WAGNER** (from 27.03.2015)
Bernhard **WESENER**

State commissioners:

Gabriele **HERBECK**
Gabriele **HERMANN**

CONCLUDING REMARKS BY THE MANAGING BOARD

The Managing Board approved the consolidated financial statements for publication on 8 April 2016.

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 2016

The Managing Board

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

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

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

AUDIT CERTIFICATE

Report on the consolidated financial statements

I have audited the enclosed consolidated financial statements of

Raiffeisen-Landesbank Steiermark AG, Graz,

together with the underlying accounting records, for the financial year starting on 1 January 2015 and ending on 31 December 2015. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2015, the statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ending on 31 December 2015 and the notes to the consolidated financial statements.

Responsibility of the legal representatives for the consolidated financial statements and the accounting records

The legal representatives of the company are responsible for the accounting records and for preparing consolidated financial statements that present a true and fair view of the Group's financial position, the results of its operations and its cash flows in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as the additional requirements of §§ 245a UGB and 59a BWG. This responsibility includes: designing, implementing and maintaining an internal control system to ensure the preparation of consolidated financial statements that present a true and fair view of the Group's financial position, the results of its operations and its cash flows and are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting and valuation policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and description of type and scope of the statutory audit

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I have performed my audit in accordance with the statutory regulations and professional corporate auditing principles generally accepted in Austria. Those standards require that I comply with ethical requirements and plan and perform the audit in such a way as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures contained in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the preparation of the consolidated financial statements and the presentation of a true and fair view of the Group's financial position, the results of its operations and its cash flows, in order to define 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 system. An audit also includes evaluating the appropriateness of the accounting and valuation policies used and of the accounting estimates made by the company's legal representatives, as well as evaluating the overall presentation of the consolidated financial statements.
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Audit opinion

My audit did not give rise to any objections. Based on the results of my audit, the consolidated financial statements, in my opinion, present fairly, in all material respects, a true and fair view of the financial position and performance of the Group as at 31 December 2015, and of the results of its operations and cash flows for the financial year starting on 1 January 2015 and ending on 31 December 2015 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

Report on the consolidated management report

Pursuant to the applicable statutory provisions, the consolidated management report is to be audited to determine whether it is consistent with the consolidated financial statements and whether any of the other disclosures made in the consolidated management report give rise to any misconceptions about the position of the Group. The audit certificate also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to § 243a (2) UGB are appropriate.
In my opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to § 243a (2) UGB are appropriate.

Vienna, 8 April 2016

Auditor appointed by the Austrian Raiffeisen Association:
Wilhelm FORAMITTI – Official Auditor (Verbandsrevisor)

Publication or dissemination of these consolidated financial statements bearing my audit certificate shall only be permitted if the financial statements are identical with the audited version attached to this report. For any other versions (i.e. abridged versions or translations into other languages), the stipulations of § 281 (2) UGB shall apply.

AUDIT CERTIFICATE

Report on the consolidated financial statements

We have audited the enclosed consolidated financial statements of

Raiffeisen-Landesbank Steiermark AG, Graz,

comprising the consolidated balance sheet as at 31 December 2015, the statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the financial year ending on 31 December 2015 and the notes to the consolidated financial statements. § 275 (2) UGB applies to our responsibility and liability as auditor in respect of the company and in respect of third parties.

Responsibility of the legal representatives for the consolidated financial statements and the accounting records

The legal representatives of the company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as the additional requirements of §§ 245a UGB and 59a BWG, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the legal representatives for the consolidated financial statements

The legal representatives of the company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as the additional requirements of §§ 245a UGB and 59a BWG, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Austrian Standards on Auditing. Those standards require that we comply with the International Standards on Auditing (ISA). Under those standards we are required to comply with ethical requirements and plan and perform the audit in such a way as to obtain reasonable assurance that the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures contained in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to define 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the company's legal representatives, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

Our audit did not give rise to any objections. Based on the results of our audit, the consolidated financial statements, in our opinion, present fairly, in all material respects, a true and fair view of the financial position and performance of the Group as at 31 December 2015, and of the results of its operations and cash flows for the financial year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and other legal or regulatory requirements.

Report on the consolidated management report

Pursuant to the applicable statutory provisions, the consolidated management report is to be audited to determine whether it is consistent with the consolidated financial statements and whether any of the other disclosures made in the consolidated management report give rise to any misconceptions about the position of the Group. The audit certificate also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to § 243a UGB are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to § 243a UGB are appropriate.

Linz, 8 April 2016

KPMG Austria AG

Martha KLOIBMÜLLER (signed) – Chartered Accountant

Publication or dissemination of these consolidated financial statements bearing our audit certificate shall only be permitted if the financial statements are identical with the audited version attached to this report. Publication or dissemination of these annual financial statements bearing our audit certificate shall only be permitted if the financial statements are identical with the audited version attached to this report. For any other versions, the stipulations of § 281 (2) UGB shall apply.

ANNEX – LIST OF EQUITY HOLDINGS OF THE RLB STEIERMARK GROUP

TEUR	Registered office	Percentage held	Equity including untaxed reserves (TEUR)	Profit/loss[1)] (TEUR)	Date of annual financial statements
Fully consolidated entities					
Belua Beteiligungs GmbH	Graz	100.00%	44,521	6,347	31.12.2015
Columbia Beteiligungs GmbH	Graz	75.00%	-199	-3	31.12.2015
DASAA 8010 [2)]	Graz	100.00%	232,183	11,539	31.10.2015
“DÖHAU” Liegenschaftsges.m.b.H.	Graz	81.25%	-632	-5	31.12.2015
FUTURA LHB-RLB Leasing Holding GmbH	Graz	93.73%	12	-4	31.12.2015
Grundstücksverwaltung Salzburg-Mitte GmbH	Graz	75.00%	-387	85	31.12.2015
RLB-Stmk Immobilienbeteiligungs- und Verwaltungs GmbH	Graz	100.00%	67,663	987	31.12.2015
HSE Beteiligungs GmbH	Graz	100.00%	29,850	-1,471	31.12.2015
HST Beteiligungs GmbH	Graz	100.00%	29,845	-1,473	31.12.2015
HYPO Steiermark Beteiligungen GmbH	Graz	75.00%	3,621	-71	31.12.2015
HYPO Steiermark Immobilienleasing GmbH	Graz	75.00%	901	177	31.12.2015
HYPO Steiermark Kommunal- und Gebäudeleasing GmbH	Graz	75.00%	1,329	60	31.12.2015
HYPO Steiermark Leasing - Holding GmbH	Graz	75.00%	761	52	31.12.2015
HYPO Steiermark PUNTI Grundstücksverwaltung GmbH	Graz	75.00%	259	466	31.12.2015
Hypo-Leasing Steiermark d.o.o.	Zagreb	93.73%	444	-574	31.12.2015
Immobilienerwerbs- und Vermietungs Gesellschaft m.b.H.	Graz	100.00%	73,559	1,340	31.12.2015
LAMINA Beteiligungs GmbH	Graz	100.00%	38,159	6,348	31.12.2015
Landes-Hypothekenbank Steiermark Aktiengesellschaft	Graz	75.00%	132,870	3,787	31.12.2015

Merula Beteiligungs GmbH	Graz	100.00%	-395	37	31.12.2015
NOVA HYPO Leasing GmbH	Graz	75.00%	-532	964	31.12.2015
NWB Beteiligungs GmbH	Graz	100.00%	1,271	26	31.12.2015
Optima-Vermögensverwaltungs- und Beteiligungsgesellschaft m.b.H.	Graz	100.00%	6,537	-396	31.12.2015
Raiffeisen Informatik Center Steiermark GmbH	Graz	94.75%	20,581	0	31.12.2015
Raiffeisen Rechenzentrum GmbH	Graz	100.00%	810	469	31.12.2015
Raiffeisen Rechenzentrum Holding GmbH	Graz	100.00%	22,193	340	31.12.2015
RATIO Beteiligungsverwaltungs GmbH	Graz	75.00%	1,352	162	31.12.2015
RLB - Beteiligungs- und Treuhandgesellschaft m.b.H.	Graz	100.00%	96,644	2,989	30.09.2015
RLB-Hypo Group Leasing Steiermark GmbH	Graz	100.00%	52	47	31.12.2015
RLB-Stmk Management GmbH	Graz	100.00%	44,713	751	31.12.2015
RSAL Raiffeisen Steiermark Anlagenleasing GmbH	Graz	81.00%	46	-3	31.12.2015
RSIL Immobilienleasing Raiffeisen Steiermark GmbH	Graz	81.00%	-1,381	-66	31.12.2015
SOLUTIO Beteiligungsverwaltungs GmbH	Graz	100.00%	1,040	-1,039	31.12.2015
Steirische Raiffeisen - Immobilien - Leasing Gesellschaft m.b.H.	Graz	100.00%	6,961	207	31.12.2015
Other equity holdings					
AK 13 Vermögensverwaltungs GmbH in liquidation	Graz	100.00%	46	-632	31.12.2014
ALPHA-BAU Planungs-, Projektentwicklungs- und Baubetreuungs GmbH.	Graz	100.00%	388	79	31.12.2014
APIS Vermögensverwaltungs GmbH	Graz	100.00%	428	-195	31.12.2014
ARTEMIA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00%	1,028	-1	31.12.2014
Bergbau Radmer GmbH	Graz	100.00%	11	-2	31.12.2014
BONITA HYPO Leasing GmbH	Graz	75.00%	38	-50	31.12.2015
Bucula Beteiligungs GmbH	Graz	100.00%	7	-1	31.12.2014
CADO Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00%	3,519	97	31.12.2014
CALDO Grundstücksverwertungsgesellschaft m.b.H.	Vienna	50.00%	33	-1	31.12.2014
Caprea Liegenschaftsverwaltungs GmbH	Graz	100.00%	74	-8	31.12.2014
Ciconia Immobilienleasing GmbH	Graz	87.75%	-368	6	31.12.2015
Comm-Unity EDV GmbH	Lannach	51.00%	2,124	595	31.12.2014
Cornix Beteiligungs GmbH	Graz	100.00%	29	-2	31.12.2014
CYGNUS Beteiligungs GmbH in liquidation	Graz	75.00%	-417	-5	31.12.2014

Dynamit Nobel Graz Gesellschaft m.b.H.	Graz	100.00%	104	-2	31.12.2014
EBVG Liegenschafts-Erwerbs-, Betriebs- und Verwaltungsgesellschaft m.b.H.	Graz	75.00%	95	12	31.12.2014
evolaris next level GmbH	Graz	25.00%	400	92	31.12.2014
G + R Leasing Gesellschaft m.b.H. & Co. KG.	Graz	50.00%	326	254	30.09.2015
Gesellschaft zur Standortsicherung in der Steiermark GmbH	Graz	100.00%	63	-2	31.12.2014
GRM Vermögensverwaltungs- und Beteiligungs GmbH	Graz	100.00%	1,504	-2,542	31.12.2014
Hypo Steiermark Kraftfahrzeug- und Maschinenleasing GmbH	Graz	75.00%	-3,184	-3,197	31.12.2015
Hypo Steiermark Mobilienleasing GmbH	Graz	75.00%	80	-34	31.12.2015
INPRIMIS Beteiligungs GmbH	Graz	100.00%	1,558	-1	31.12.2014
JS Vermögensverwaltung GmbH in liquidation	Graz	100.00%	53	0	31.12.2014
KONKRETA Beteiligungsverwaltungs GmbH	Graz	100.00%	9	-1	31.12.2014
KONKRETA Beteiligungsverwaltungs GmbH & Co OG	Graz	100.00%	0	0	-
KONSTRUKTA Unternehmensberatungs GmbH	Graz	100.00%	183	33	31.12.2014
Liegenschaftsverwaltung Radmer-Frohnleiten GmbH	Graz	100.00%	7,293	-103	31.12.2014
LKH-Eingangszentrum Errichtungs- und Betreiber GmbH	Graz	75.00%	1,411	302	31.12.2014
MILLENIA Beteiligungsverwaltungs GmbH	Graz	100.00%	56	-1	31.12.2014
Minos Liegenschaftsverwaltungs GmbH	Graz	100.00%	586	125	31.12.2014
MIRUS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00%	68	3	31.12.2014
Obst Hofer Handels-GmbH	Ludersdorf-Wilfersdorf	100.00%	1,165	-1,779	31.07.2014
OCTANOS Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00%	74	4	31.12.2014
ORION Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00%	5	-3	31.12.2014
Raiffeisen - Einlagensicherung Steiermark registrierte Genossenschaft mit beschränkter Haftung	Graz	53.92%	2	0	31.12.2014
Raiffeisen Baudienstleistungs GmbH	Graz	93.75%	597	0	31.12.2014
Raiffeisen Bauträger & Projektentwicklungs GmbH	Graz	100.00%	1,373	150	31.12.2014
Raiffeisen-Immobilien Steiermark Gesellschaft m.b.H.	Graz	100.00%	1,865	174	31.12.2014
RIL VI Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00%	-40	-5	31.12.2014
RLO Beteiligungs GmbH	Graz	100.00%	2,583	-2	31.12.2015

RVS Raiffeisen Vertrieb und Service GmbH	Graz	100.00%	2,984	2,499	31.12.2014
SPICA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.00%	192	50	31.12.2014
STED EDV-Dienste Betriebsgesellschaft m.b.H.	Graz	100.00%	3,457	560	31.12.2014
Steirerfrucht Betriebsgesellschaft m.b.H. & Co.KG	Unterfladnitz	100.00%	-13,372	-19,793	31.07.2014
Steirerfrucht Betriebsgesellschaft mbH	Graz	100.00%	34	2	31.07.2015
Steirerfrucht Verwaltung eGen	St. Ruprecht an der Raab	100.00%	-634	0	31.07.2015
SUPRA HYPO Leasing GmbH	Graz	75.00%	69	318	31.12.2015
Tinea Beteiligungs GmbH	Graz	100.00%	31	-1	31.12.2014
Topf Kunststofftechnik Gesellschaft m.b.H. in liquidation	Graz	100.00%	106	-63	31.12.2014
TSI-Terminal und Software Installationen GmbH	Graz	75.00%	136	816	31.12.2015
Companies carried at equity					
Raiffeisen Zentralbank Österreich AG [3]	Vienna	15.32%	9,296,127	465,354	31.12.2015
Associates					
Apfel-Land Fruchtlogistik GmbH	Unterfladnitz	24.00%	-6,520	-5,600	31.07.2014
DILIGENTA Holding GmbH in liquidation	Graz	49.00%	-12,915	-615	31.12.2014
EVA Handels GmbH	Wollsdorf	23.12%	10	-39	31.07.2014
G + R Leasing Gesellschaft m.b.H.	Graz	37.50%	19	-1	31.09.2015
ILION-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	41.25%	-2,441	-53	31.12.2014
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H.	Vienna	33.20%	545	211	31.12.2014
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	30.00%	271,493	14,495	31.12.2014
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Graz	25.00%	692	615	31.12.2014
VN-Industrie Immobilien GmbH	Vienna	26.00%	87	42	31.12.2014
VN-Wohn Immobilien GmbH	Vienna	26.00%	404	228	31.12.2014

[1] Profit/loss before changes in reserves and profit transfer.
[2] This entity consists of a special fund in which the RLB Steiermark Group holds a 100% interest. The figures in this table represent the fund's assets and profit/loss.
[3] Figures taken from the consolidated financial statements of RZB as at 31 December.

RAIFFEISEN-LANDESBANK STEIERMARK AG

Established in 1927

Regional headquarters, credit and financing institution as well as service provider and information centre of the Raiffeisen Banking Group in Styria

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S.W.I.F.T. code RZSTAT2G

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 both genders.

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