VOLKSBANK WIEN

ANNUAL FINANCIAL REPORT 2015

Any role discriptions in this consolidated annual report that are used only in the masculine form apply analogously to the feminine form.

Translation by BBi (Scotland) Ltd.

KEY FIGURES OF VOLKSBANK WIEN AG

Euro million	31 Dec 2015	31 Dec 2014	31 Dec 2013
Statement of financial position			
Total assets	10,018	3,412	3,816
Loans and advances to customers	3,722	2,454	2,326
Amounts owed to customers	3,992	3,064	3,233
Debts evidenced by certificates	798	0	37
Subordinated liabilities	18	18	21
Own funds according to Basel III for the Volksbank Wien AG group [1]			
Common equity tier 1 capital (CET1)	359		
Additional tier 1 capital (AT1)	0		
Tier 1 capital (T1)	359		
Tier 2 capital (T2)	10		
Own funds	370		
Risk weighted exposure amount - credit risk	2,025		
Total risk exposure amount market risk	188		
Total risk exposure amount operational risk	577		
Total risk for credit valuation adjustment	90		
Total risk exposure amount	2,881		
Common equity tier 1 capital ratio [2]	**12.5%**		
Tier 1 capital ratio [2]	**12.5%**		
Equity ratio [2]	**12.8%**		

Euro million	2015	2014
Income statement		
Net interest income	70.1	58.7
Risk provisions	13.8	11.3
Net fee and commission income	30.1	27.5
Net trading income	7.1	0.0
General administrative expenses	–122.2	–69.6
Restructuring cost	–0.3	0.0
Other operating result	15.8	5.3
Income from financial investments	8.5	5.1
Income from companies measured at equity	–6.5	0.0
Result before taxes	**16.3**	**38.3**
Income taxes	12.8	–8.8
Result after taxes	**29.0**	**29.5**
Non-controlling interest	0.0	0.0
Consolidated net income	29.0	29.5
Key ratios [3]		
Operating cost-income-ratio	**114.0%**	**80.7%**
ROE before taxes	**5.9%**	**20.6%**
ROE after taxes	**10.5%**	**15.9%**
ROE consolidated net income	**10.6%**	**15.9%**
Resources		
Staff average	815	583
of which domestic	815	583
Staff at end of period	1,130	671
of which domestic	1,130	671
Number of sales outlets	64	57
of which domestic	64	57

1) As the legal obligation to set up own funds for the Group of credit institutions of VBW starts with the contribution of the CO business unit as at 4 July 2015 no comparative figures were displayed
2) In relation to total risk
3) The operating cost-income-ratio is the ratio between net interest income, net fee and commission income, net trading income and general administrative expenses.

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INTRODUCTION FROM THE CHIEF EXECUTIVE OFFICER

Gerald Fleischmann

CEO and Chairman of the Managing Board

2015 was an extraordinary and defining year for VOLKSBANK WIEN. Over this year the regional bank Volksbank Wien-Baden became VOLKSBANK WIEN, which is both the largest regional bank among the Austrian Volksbanks and, since mid-year, has also performed the central organisation function for the entire Association of Volksbanks in Austria.

In late 2014 it was decided that by 2017 the Association of Volksbanks would be reorganised into eight regional Volksbanks and two specialist banks. In the context of this reorganisation, VOLKSBANK WIEN merged with the two regional banks Volksbank Ost and Volksbank Obersdorf-Wolkersdorf-Deutsch Wagram in autumn 2015. A further four mergers are planned for 2016. Following these mergers, VOLKSBANK WIEN's catchment area will cover all of Vienna, the whole of Burgenland and the eastern half of Lower Austria.

The decision to reorganise VBAG resulted in its division. Non-core assets remained in the wind-down entity immigon portfolioabbau ag, while the function of central organisation for the Association of Volksbanks and its service function were transferred to VOLKSBANK WIEN. VOLKSBANK WIEN's dual function as an independent regional bank and the central organisation for the Association of Volksbanks is also intended to create cost synergies. One of the key goals of the reorganisation initiated in 2015 is to construct a robust, purely austrian banking association.

In addition to the mergers, VOLKSBANK WIEN was significantly encumbered by the low interest rate environment and significant regulatory requirements. The simplification of the business model is aimed at achieving cost savings over the medium term. Above all, the bank is concentrating on its core areas of deposits, loans and payment transactions. In the service business, VOLKSBANK WIEN will sell products in insurance, securities, leasing, building savings schemes (Bausparen) and other business areas. The products will be sourced from partners of the highest quality who have great expertise in these areas. VOLKSBANK WIEN is focussed on the wishes, interests and requirements of its customers and on providing them with high-quality advice. The reorganisation of the association with larger units improves efficiency, ensuring greater speed, flexibility, proximity to our customers and regional presence.

VOLKSBANK WIEN's branches continue to provide the central sales channel. Several branches will be consolidated to ensure that all branches offer a high level of expertise in both retail and corporate banking. All measures undertaken with regard to the organisation of branches and the sales department are aimed at focussing even more on our customers and the quality of our advice. Of course, this includes continued investment in the professional development of our employees. Our employees are and will remain the most important resource in our approach, which is built on providing advice and building relationships. Continuing to raise the standard of the advice we provide is a clear objective.

In 2015 we also undertook great efforts to achieve a stable level of capital. The consolidated Tier 1 capital ratio was around 12.5% at year-end. This enables us to fully realise our main role and economic function of providing financing to individuals and businesses. Small and medium-sized enterprises – a significant pillar of the Austrian economy – are a particular priority for us. Private customers appreciate the good advice and the services tailored to their individual needs.

2015 was shaped by far-reaching changes which have created a foundation full of opportunities for the coming years. I would like to thank all employees, officials and owners for their tremendous commitment. I would also like to express particular thanks to our customers for the great loyalty they have shown VOLKSBANK WIEN over the past year.

Vienna, April 2016

Gerald FLEISCHMANN
CEO and Chairman of the Managing Board

REPORT OF THE SUPERVISORY BOARD

pursuant to section 96 of the Austrian Stock Corporation Act (Aktiengesetz) for the 2015 business year

Heribert Donnerbauer

Chairman
of the Supervisory Board

The Supervisory Board held four ordinary, three constitutive and seven extraordinary meetings during the 2015 business year. During these meetings and in other discussions and committees, the Board ensured that the company was being managed in line with the principles of lawfulness, expediency and cost effectiveness and reviewed the company's position, performance and planned business policies.

The Supervisory Board took note of the relevant reports from the Managing Board and adopted the necessary resolutions.

The chairs of the Supervisory Board's committees regularly reported to the Supervisory Board on the work of their committees. The Supervisory Board therefore had sufficient means to fulfil its duty of informing itself about and overseeing the work of the Managing Board.

The Supervisory Board has formed the following committees: Working and Risk Committee, Audit Committee, Remuneration Committee, Nomination Committee, HR Committee and Transformation and Mergers Committee.

The Working and Risk Committee met on four occasions during 2015, during which it discussed investments falling within its remit as well as risk issues, risk strategy and the current risk position of the company and the Association of Volksbanks. The Audit Committee met on four occasions during 2015 to review the audit of the financial statements and the consolidated financial statements and to monitor the internal control system, the internal audit system and the risk management system.

The Remuneration Committee met on three occasions in 2015 to discuss remuneration policy at VOLKSBANK WIEN AG and the Association of Volksbanks and the remuneration system.

The Nomination Committee convened twelve times during 2015 to perform the annual appraisal of members of the Managing and Supervisory Boards, to appraise key personnel and to discuss the company's Fit & Proper Policy. The Nomination Committee was also engaged in the search and selection procedure for suitable Managing Board members for VOLKSBANK WIEN AG and put forward related proposals to the Supervisory Board.

The HR Committee held seven meetings in 2015, in which it looked at the content and detailed drafting of the Managing Board contracts.

The Transformation and Mergers Committee met on six occasions in 2015 to discuss the assumption of the central organisation functions for the banking association from the former Österreichische Volksbanken-AG, progress in the transformation and merger process in the Association of Volksbanks, the conclusion of the transfer of the banking operations of Volksbank Ost and Volksbank Obersdorf-Wolkersdorf-Deutsch Wagram to VOLKSBANK WIEN AG, and the transfer of the banking operations of Volksbank Marchfeld and Volksbank Weinviertel to VOLKSBANK WIEN AG planned for 2016.

The meetings of the Supervisory Board and its committees were marked by a high attendance rate among members, with only one works council delegate being absent in over half of the Supervisory Board meetings.

Implementation of the transformation and restructuring of the Association of Volksbanks – initiated in 2014 by resolution of the Extraordinary General Meeting on 22 December

2014 on the conclusion of a new (amended) association agreement pursuant to section 30a of the Austrian Banking Act (BWG) (and the associated termination of the association agreement concluded in 2012) – continued in 2015. The relevant resolutions of the Annual General Meeting on 29 May 2015 and the Extraordinary General Meeting on 7 August 2015 were preceded by intensive consultations and reviews by the Supervisory Board and the Transformation and Mergers Committee on the basis of deliberations and documentation provided by the Managing Board.

The central organisation and central institution function was transferred from Österreichische Volksbanken-Aktiengesellschaft on the basis of the spin-off and transfer agreement of 1 June 2015 by means of a spin-off for transfer retaining the existing shareholding ratios and by universal succession pursuant to section 1 (2) (2) in conjunction with section 17 of the Austrian Demerger Act (SpaltG), applying Article VI of the Austrian Reorganisation Tax Act (UmgrStG), with a demerger date of 31 December 2014 and coming into legal force on 4 July 2015.

The banking operations of Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung were transferred retrospectively as of 31 December 2014 through a transfer and contribution in kind agreement of 7 August 2015, pursuant to section 92 of the Austrian Banking Act and the provisions of the Austrian Reorganisation Tax Act. The banking operations of Volksbank Obersdorf – Wolkersdorf – Deutsch-Wagram e.Gen. were likewise transferred retrospectively as of 31 December 2014 through a transfer and contribution in kind agreement of 7 August 2015, pursuant to section 92 of the Austrian Banking Act and the provisions of the Austrian Reorganisation Tax Act.

In view of the company's extended remit and direct catchment area, it was also necessary to change the former company name of Volksbank Wien-Baden AG. The company has been renamed VOLKSBANK WIEN AG, a name which fulfils all requirements: firstly, because of the bank's function as a contact for international partners, the company name is short and succinct; but it also creates a link to the region in which VOLKSBANK WIEN AG operates as a regional bank and indicates its central organisation function for the other regional Volksbanks.

As the European Central Bank's approval of the Association of Volksbanks as a banking association pursuant to section 30a of the Austrian Banking Act with VOLKSBANK WIEN AG as the central organisation based on the association agreement currently applicable only remains in force up to 30 June 2016, the focus is now on ensuring that the approval is extended. The Managing Board therefore submitted corresponding amendment proposals for the new association governance policy to the Supervisory Board, which the Supervisory Board approved after extensive consultation and discussion. The new association governance policy was approved in the Extraordinary General Meeting on 17 March 2016.

There were also changes in personnel for the Managing Board and the Supervisory Board in 2015 in connection with VOLKSBANK WIEN AG's new role as the central organisation of the banking association.

The – in some cases – new appointments to the Managing Board were intended to take account of the strategic considerations of the banking association and to enable the greatest possible efficiency in the new central organisation's performance of its duties. The

Nomination Committee was assisted in the selection procedure by respected HR consultancy firm Korn Ferry. As a result of this selection process, the Managing Board mandate of long-time Managing Board member Josef Preißl (responsible for Back Office and Deputy Chairman of the Managing Board from 1 June 2015) was extended by a further five years as of 1 April 2015 to 31 March 2020.

Wolfgang Schauer was also appointed to the Managing Board for a term of five years as of 1 April 2015 (up to 31 March 2020), with responsibility for Front Office. Gerald Fleischmann was appointed as Chairman of the Managing Board for a term of five years with effect from 1 June 2015 (up to 31 May 2020). Finally, Rainer Borns was appointed as member of the Managing Board responsible for Finance with effect from 1 December 2015 up to 31 May 2020. These appointments to the Managing Board were preceded by extensive consultations with the Nomination Committee, the HR Committee and the Supervisory Board. Former Managing Board members Erich Fuker and Wolfgang Layr resigned from the Managing Board as of 31 March 2015.

The Supervisory Board is convinced that the four-person Managing Board will enable VOLKSBANK WIEN AG to meet the challenges of the present and the future and that the best possible conditions have been created to ensure the success of the Association of Volksbanks and its central organisation.

As part of the restructuring of the Association of Volksbanks, it was agreed with the Republic of Austria that the number of Supervisory Board members in the new central organisation would be reduced to ten members elected by the General Meeting or delegated pursuant to section 19 of the Articles of Association and section 88 of the Austrian Stock Corporation Act (Aktiengesetz).

As such, the former Supervisory Board members below resigned with effect from the conclusion of the Extraordinary General Meeting which took place on 7 August 2015.

Leo W. Chini
Harald Berger
Werner Foidl
Alfons Klebl
Johannes Monsberger
Rudolf Riener
Martina Verena Rittmann-Müller
Anton Pauschenwein
Karin Eger

The following Supervisory Board members elected
by the General Meeting and therefore remain in their function:

Martin Holzer
Franz Gartner
Markus Hörmann
Rainer Kuhnle
Otto Zeller

The Austrian government exercised its right to appoint members pursuant to section 19 of the Articles of Association and appointed the following people to the Supervisory Board:

Heribert Donnerbauer
Susanne Althaler
Monika Wildner
Johannes Linhart
Harals Nograsek

Based on the reorganisation of the works council as of 21 July 2015, the following members were appointed as delegates to the Supervisory Board by the integrated works council comprising the members of the works councils of Volksbank Wien-Baden AG and the central organisation and central institution function demerged from Österreichische Volksbanken-Aktiengesellschaft:

Hans Lang
Hermann Ehinger
Rainer Obermayer
Michaela Pokorny
Matthäus Thun-Hohenstein
Gerlinde Weilguni
Manfred Worschischek

The following previous works council delegates to the Supervisory Board were removed from the position as of 20 July 2015:

Stefan Felbermayer
Eva-Maria Kohout-Lintner
Ingrid Laki
Christian Rudorfer

In view of the reduction in members elected by the General Meeting or delegated pursuant to section 19 of the Articles of Association and section 88 of the Austrian Stock Corporation Act, the following former works council delegates to the Supervisory Board were also removed from the position:

Matthäus Thun-Hohenstein
Gerlinde Weilguni

Heribert Donnerbauer was elected as Chairman, Martin Holzer as First Deputy Chairman and Rainer Kuhnle as Second Deputy Chairman of the Supervisory Board in the constitutive meeting of the Supervisory Board held following the Extraordinary General Meeting on 7 August 2015.

The financial statements as at 31 December 2015, including the management report and notes, were audited jointly by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft(KPMG) and the Austrian Cooperative Association (Schulze-Delitzsch) and, there being no grounds for objection, received an unqualified audit opinion. The consolidated financial statements as at 31 December 2015 including the Group management report were audited by KPMG and, there being no grounds for objection, received an unqualified audit opinion.

The Supervisory Board took note of the report submitted by the Managing Board and, following a review by the Audit Committee, reviewed the financial statements including the management report and the consolidated financial statements including the Group management report and the appendix to the audit report pursuant to section 63 (5) and (7) of the Austrian Banking Act, in accordance with section 96 (1) of the Austrian Stock Corporation Act. The Supervisory Board's review did not result in any grounds for objection. In particular, the financial statements and the consolidated financial statements were deemed by the Supervisory Board to be properly prepared. As a result, the Supervisory Board approves the financial statements including the management report, meaning that they are now adopted in accordance with section 96 (4) of the Austrian Stock Corporation Act, and the consolidated financial statements including the Group management report and the appendix to the audit report pursuant to section 63 (5) and (7) of the Austrian Banking Act. The Supervisory Board also agrees with the results of the audit, which were discussed at length with KPMG and the Austrian Cooperative Association.

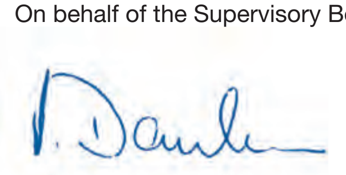
The Supervisory Board has reviewed the Managing Board's proposal for the appropriation of earnings and has no objections. The Supervisory Board therefore supports the Managing Board's proposal to recommend the payment of a dividend to the holders of participation capital to the General Meeting.

The Supervisory Board finds that VOLKSBANK WIEN AG fulfilled the support function enshrined in section 3 of the Articles of Association and mandated by the shareholders over the past business year.

Lastly, the Supervisory Board would like to thank the Managing Board and all employees for their high level of commitment and their excellent work.

Vienna, April 2016

On behalf of the Supervisory Board of VOLKSBANK WIEN AG:



Heribert DONNERBAUER,
born 4 August 1965
Chairman of the Supervisory Board

THE MANAGING BOARD

Chairman

Gerald Fleischmann

born 27 February 1969

CEO from 1 June 2015

Division of responsibilities in the Managing Board

- General Secretariat
- Organisation / IT
- HR Management
- Press Office
- Risk Control
- Banking Association Strategy

Deputy-Chairman

Josef Preissl

born 2 March 1959

Chairman up to 31 May 2015
Deputy-CEO from 1 June 2015

Division of responsibilities in the Managing Board

- Compliance Office
- Property Subsidiaries
- Integration/Operational Risk Governance
- Legal
- Audit
- Association Risk Management
- Risk Retail/SME
- Reorganisation Management
- VB Services for Banks

Member of the Managing Board

Wolfgang Schauer

born 18 May 1968

Member from 1 April 2015

Division of responsibilities in the Managing Board

- Major Commercial
- Marketing/Communication
- Regional Management/Branches
- Treasury
- Sales Management
- Front Office Service Center

Member of the Managing Board

Rainer Borns

born 7 August 1970

Member from 1 December 2015

Division of responsibilities in the Managing Board

- Finance

Erich Fuker

Member of the Managing Board
up to 31 March 2015

Wolfgang Layr

Member of the Managing Board
up to 31 March 2015

THE SUPERVISORY BOARD

Heribert Donnerbauer

Donnerbauer & Hübner Rechtsanwälte GmbH

Member from 6 August 2015
Chairman from 7 August 2015

Leo W. Chini

Honorary professor at the Institute for Small Business Management and Entrepreneurship

Member up to 7 August 2015
Chairman from 4 March 2015 up to 7 August 2015

Martin Holzer

Director, Volksbank Landeck

First Deputy-Chairman from 29 May 2015

Rainer Kuhnle

Director, Volksbank Niederösterreich-AG

Second Deputy-Chairman from 7 August 2015

Susanne Althaler

DONAU Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH
Member from 6 August 2015

Harald Berger

Director, Volksbank Südburgenland eG
Member up to 7 August 2015
Chairman up to 19 February 2015

August Breininger

Muncipiality of Baden
Member up to 29 May 2015

Karin Eger

Viennese Regional Health Insurance Fund (Wiener Gebietskrankenkasse)
Member from 29 May 2015
up to 7 August 2015

Werner Foidl

Director, Volksbank Kufstein-Kitzbühel eG
Member up to 7 August 2015

Franz Gartner

Muncipiality of Traiskirchen
Second Deputy-Chairman
up to 7 August 2015

Markus Hörmann

Director, Volksbank Tirol Innsbruck-Schwaz AG

Alfons Klebl

Muncipiality of Traiskirchen
Member up to 7 August 2015

Johannes Linhart

Independent consultant on capital markets and finance
Member from 6 August 2015

Johannes Monsberger

Director, Volksbank Steiermark-Mitte AG
Member up to 7 August 2015

Harald Nograsek

Österreichisches Verkehrsbüro AG
Member from 6 August 2015

Anton Pauschenwein

Director, Volksbank Niederösterreich Süd eG
Member up to 7 August 2015

Rudolf Riener

Director, Volksbank Weinviertel
Member up to 7 August 2015

Nina Rittmann-Müller

Rittmann KG, Steuerberatung und Wirtschaftsprüfung
Member up to 7 August 2015

Monika Wildner

Independent lawyer
Member from 6 August 2015

Otto Zeller

Director, Volksbank Salzburg eG
First Deputy-Chairman
up to 29 May 2015

THE SUPERVISORY BOARD

Works council delegates:

Hans Lang
Chairman of the Works council
Member from 21 July 2015

Michaela Pokorny
Member from 21 July 2015

Hermann Ehinger
Member from 21 July 2015

Christian Rudorfer
Member up to 20 July 2015

Stefan Felbermayer
Member up to 20 July 2015

Matthäus Thun-Hohenstein
Member from 21 July 2015
up to 07 August 2015

Eva-Maria Kohout-Lintner
Member up to 20 July 2015

Gerlinde Weilguni
Member up to 7 August 2015

Ingrid Laki
Member up to 20 July 2015

Manfred Worschischek

Rainer Obermayer

State Commissioners:

Dietmar Mitteregger
State Commissioner

Helga Ruhdorfer
Deputy State Commissioner

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GROUP MANAGEMENT REPORT

Report on business development and the economic situation

Business development

The most significant restructuring of the Austrian Association of Volksbanks to date took place in the 2015 business year. The Annual General Meeting of VOLKSBANK WIEN AG (VBW) on 29 May 2015 resolved that the company would assume the central organisation function from Österreichische Volksbanken-Aktiengesellschaft (VBAG), as well as approving a capital increase and the spin-off and transfer agreement. For details of the shares transferred to VBW as part of the 2015 restructuring agreement, please refer to the notes to the financial statements. The resolutions passed by the AGM allowed the former central organisation (CO) within VBAG to be transferred to VBW through a demerger on 4 July 2015 with retroactive effect under company law from 1 January 2015, and the remainder of VBAG to continue operating as a wind-down entity under the name of immigon portfolioabbau ag (immigon) in accordance with Section 162 of the Federal Act on the Recovery and Resolution of Banks (Bundesgesetz über die Sanierung und Abwicklung von Banken – BaSAG). The reorganisation took full legal effect upon its entry in the Commercial Register on 4 July 2015. All immigon bonds held within the association were subject to a regulatory requirement to be secured with a financial guarantee. This financial guarantee was concluded with Deutsche Bank in June 2015. The costs arising from this, along with the profit or loss arising from any potential disposal were distributed across the Association of Volksbanks on a pro-rata basis. As a consequence of the conversion of the remainder of VBAG into a wind-down entity, the previous association was wound up and a new association established. This association received temporary authorisation from the ECB via a letter dated 2 July 2015; the authorisation is valid until 30 June 2016. Since that point, VBW has been the central organisation of the new Austrian Association of Volksbanks pursuant to section 30a of the Austrian Banking Act (Bankwesengesetz – BWG) and has assumed far-reaching management and steering functions, one of which is responsibility for risk and liquidity management throughout the association.

Under the association-wide restructuring process, the Volksbanks are merging to form eight regional providers of banking services and two specialist banks. The banking operations of Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung (VB Ost) and Volksbank Obersdorf - Wolkersdorf - Deutsch-Wagram e.Gen. (VB OWD) were therefore transferred to VBW in November 2015.

Fitch downgraded its rating for the Association of Volksbanks in mid-May 2015. Alongside other Austrian banks, the rating for the Association of Volksbanks was also subject to a review looking at government support. The rating was downgraded from A to BB- as part of this process. The downgrade had no significant negative impact on the association’s liquidity situation.

The Association of Volksbanks was subject to another rating by Fitch at the end of August 2015, because of VBAG’s departure from the Association of Volksbanks and the restructuring of the association. The rating was upgraded from BB- to BB+ with a positive outlook.

immigon implemented programmes to buy back issued debit during 2015. All senior unsecured issues in the Association of Volksbanks were terminated early, and the financial guarantee with Deutsche Bank was dissolved.

Economic environment

The economies of industrialised countries performed comparatively well in 2015, while growth was below average in many emerging countries and even negative in some cases.

Austrian gross domestic product (GDP) grew by 0.8% in 2015 according to the Austrian Institute of Economic Research. There was growth in all components: Consumer spending grew by 0.4%, supported by growth in real incomes, while government spending increased by the significantly higher rate of 1.1%. After declining in real terms over the previous three years, investment returned to growth in 2015. Foreign trade made a significant contribution to growth, with exports growing considerably more strongly than imports (2.4% vs. +0.8%). However, despite the economic recovery, Austria's unemployment rate remained high by historical standards. According to Eurostat the seasonally adjusted unemployment rate grew – thereby bucking the trend in the euro zone – from 5.6% in January to 5.8% in December 2015, although it remained low compared with other European countries. According to the European Harmonised Index of Consumer Prices, the Austrian rate of inflation fluctuated between 0.5% and 1.1% during the year. Thus Austria had one of the highest rates of inflation among euro zone countries, whose average rate of inflation was nearly one percentage point lower. One of the main reasons for the low rate of inflation was the decline in the price of oil, which decreased 35% over the course of the year.

Within Austria, the economy developed unevenly between the west and east of the country over the first half of 2015. Growth in gross value added was above average in Salzburg, Vorarlberg, Tyrol and Upper Austria and below average in the remaining federal states, with the exception of Burgenland.

The Viennese economy suffered as a result of weak performance in the information, communications and construction sectors. In contrast, the public services, real estate and tourism sectors showed positive growth. Although absolute job growth was in line with the overall Austrian average, the unemployment rate increased at an above-average rate due to a significant increase in labour supply.

In Lower Austria, manufacturing – a very important sector for the state – performed poorly, while performance in public services and real estate was robust, as in the rest of Austria. The labour market performed better than the overall Austrian average.

Austrian residential real estate prices rose in the first nine months of the year, continuing their longstanding upwards trend. In the third quarter the National Bank of Austria's Residential Property Price Index was 4.0% greater than the prior-year figure, with prices outside Vienna having increased somewhat more than in Vienna (+4.3% vs. +3.4%).

Tourism performed very well, both in the past winter season and in the summer season. In the 2014/15 winter season, overnight stays increased by 2.1% (foreign visitors: +2.5%). In the summer season overnight stays increased by a total of 3.3% across Austria and 3.5% for foreign guests. Vienna achieved the highest overall growth rates, with only Burgenland and Vorarlberg performing relatively weakly. The trends for different countries of origin partly reflected exchange rate movements against the euro: Countries with above-average increases in overnight stays for guests included Switzerland and Liechtenstein (5.8%), the United Kingdom (5.5%) and the US (12.3%), while overnight stays from Russia fell by 34%.

According to the European Commission's winter forecast, real GDP growth in the euro zone looks set to have been 1.6% in 2015, the highest figure since 2011. Most peripheral euro zone countries continued their recovery – only Greece and Finland did not grow over the past year. According to the winter forecast, both consumer and government spending made positive contributions to growth of 1.7% and 1.4% respectively, as did investment (2.3%). Although imports grew more than exports, a current account surplus of 3.7% of gross domestic product was generated. The rate of unemployment showed improvement throughout, albeit from high initial rates. Calculated according to Eurostat methodology, the unemployment rate fell from 11.2% at the start of the year to 10.4% in December. The rate of inflation increased slightly, from –0.6% in January to +0.2% in December 2015. However, it was far below the target set by the European Central Bank (ECB).

The ECB left its main refinancing rate unchanged at 0.05% for the entire year. The interest rate for the marginal lending facility remained at 0.3%. However, the deposit rate was reduced at the beginning of December, from 0.2% to –0.3%. Three-month Euribor fell throughout the year and remained in negative territory from mid-April onwards, dropping from 0.08% at the start of the year to –0.13% at year-end. In March 2015 the ECB began the enhanced bond purchase programme which it had agreed at the end of 2014 to boost inflation. Against this backdrop yields on government bonds perceived as safe initially fell to historic lows but then rose again to finish 2015 up moderately from the start of the year. Yields on ten-year government bonds increased from 0.66% to 0.9% in Austria and from 0.5% to 0.63% in Germany.

In part because of the contrary monetary policies of the ECB and the US Federal Reserve – the Federal Reserve raised the federal funds rate for the first time in nine years in 2015 – the euro depreciated by around 10% against the US dollar over the year. The euro also depreciated 10% overall against the Swiss franc after the Swiss National Bank discontinued its minimum exchange rate of 1.20 on 15 January 2015. Since that point the Swiss currency even fell below parity against the euro. Stock markets again posted gains in 2015, despite a sharp decline in August. The ATX grew 11% in value over the year and the EuroSTOXX50 just under 4%.

Consolidated result for the 2015 business year

As a result of the transfers that took place during the 2015 business year and the expansion of the range of activities carried out by VBW, in particular its assumption of the role of central organisation, the figures for the reporting year are only comparable with prior year figures to a limited extent.

VBW's consolidated result before taxes amounted to euro 16 million (2014: euro 38 million). The consolidated result after taxes and non-controlling interest was euro 29 million (2014: euro 30 million).

Net interest income for the 2015 business year amounted to euro 70 million, euro 11 million higher than in the previous year (2014: euro 59 million). The increase is primarily attributable to the CO segment.

Risk provisions generated a positive result both for the 2015 business year (euro 14 million) and the comparative period (euro 11 million). During both periods, provisions that had been established in previous years were released to profit or loss, and the required level of provisions was lower than in the past.

Net fee and commission income in the reporting period was euro 30 million, an increase of euro 3 million compared with the prior-year period (2014: euro 28 million). The increase is mainly attributable to payment transactions and securities business.

Net trading income amounted to euro 7 million in the business year. As VBW did not undertake any trading activities before its assumption of the role of CO, no net trading income is presented for the previous period.

At euro 122 million, general administrative expenses were higher than in the previous year (2014: euro 70 million). The number of employees rose from 671 to 1,130 – an increase of 459 compared with the figure at the end of 2014. The increase is primarily due to the transfers of the CO business unit, VB Ost and VB OWD.

Other operating result for the 2015 business year came to euro 16 million (2014: euro 5 million). The gain on acquisition arising from the transfer of the CO business unit and VB

OWD, amounting to euro 24 million (2014: Gärtnerbank, euro 2 million), is presented within this item. Other operating expenses also include the pro-rata losses arising from the financial guarantee with Deutsche Bank and the disposal of immigon bonds, amounting to euro –17 million. VB Services, which was consolidated for the first time with effect from 4 July 2015, contributed euro 7 million to the increase. Income of euro 3 million, arising from a guarantee called in from the common fund (Gemeinschaftsfonds) in connection with the transfer of Gärtnerbank's banking operations, was recorded during the previous year.

Income from financial investments stood at euro 9 million in the reporting period, up euro 3 million on the comparative period (2014: euro 5 million). Gains of euro 6 million (2014: euro –3 million) arising from the valuation of derivatives and of euro 5 million (2014: euro 0 million) from the valuation of investment property assets are the main reason for the increase. During the previous year sales of securities resulted in a profit of euro 13 million which, however, was offset by impairments of euro –5 million in respect of participations.

The income from companies measured at equity amounted to euro –7 million during the reporting period. The holdings in IMMO-Bank AG and VB Gewerbe- und Handelsbank Kärnten eGen, which are measured at equity, were also acquired as part of the transfer of the CO business unit. As well as including the proportional 2015 result of euro –2 million from these holdings, the holdings themselves also required impairments of euro –5 million.

As a result of tax planning activities covering the next four years, deferred tax assets were recognised in respect of some tax losses brought forward in 2015. No deferred tax assets were recognised in respect of a further 360 million of tax losses brought forward, as in the past. Deferred taxes were recognised in respect of the remaining measurement differences, primarily relating to the valuation of derivatives and securities.

Statement of financial position and own funds

As a result of the transfers that took place during the 2015 business year and the expansion of the range of activities carried out by VBW, in particular its assumption of the role of central organisation, the figures for the reporting year are only comparable with prior year figures to a limited extent. The increases reported within individual items on the balance sheet are largely due to the CO business unit and the transfer of banking operations from VB Ost and VB OWD.

Total assets amounted to euro 10.0 billion as at 31 December 2015, a rise of euro 6.6 billion compared with the end of 2014 (euro 3.4 billion).

Loans and advances to credit institutions came to euro 2.8 billion, representing an increase of euro 2 billion compared with the end of the previous period (euro 0.8 billion).

Loans and advances to customers amounted to euro 3.7 billion as at 31 December 2015 and thus increased by euro 1.3 billion compared with the end of the previous year (euro 2.5 billion).

Financial investments rose by euro 1.6 billion to euro 1.7 billion compared with the end of 2014 (euro 0.1 billion).

Amounts owed to credit institutions increased by euro 4 billion compared with the end of 2014 (euro 0.1 billion), to euro 4.1 billion.

Amounts owed to customers came to euro 4 billion, which represented a rise of euro 0.9 billion compared with the end of 2014 (euro 3.1 billion).

As a result of the transfer of the CO business unit,debts evidenced by certificates stood at euro 0.8 billion as at 31 December 2015, an increase of euro 0.8 billion compared with 31 December 2014 (euro 0 billion).

The capital increases which occurred during the 2015 business year resulted in a euro 0.2 billion increase in equity, which stood at euro 0.4 billion as at 31 December 2015.

Report on branch offices

The VBW Group does not have any branch offices.

Financial and non-financial performance indicators

Financial performance indicators

The VBW credit institution group's own funds amounted to euro 0.4 billion as at 31 December 2015. Total risk exposure was euro 2.9 billion at 31 December 2015. The Tier I ratio in relation to total risk was 12.5% and the equity ratio in relation to total risk was 12.8%. As the statutory obligation to calculate consolidated own funds only arose with the transfer of the CO function on 4 July 2015, no comparative figures have been provided.

The VBW Group's return on equity (ROE) before taxes was 5.9% in 2015 (2014: 20.6%). ROE before taxes is calculated as the result before taxes divided by the average of equity at the current and prior-year balance sheet dates. ROE after taxes for the 2015 business year was 10.5% (2014: 15.9%). ROE after taxes is calculated as the result after taxes divided by the average of equity at the current and prior-year balance sheet dates.

The VBW Group's operating cost-income ratio for the reporting period was 114.0% (2014: 80.7%). The operating cost-income ratio is calculated as net interest income, net fee and commission income and net trading income as a proportion of general administrative expenses.

Non-financial performance indicators

Human Resources

Human Resources was intensively involved, above all, in integrating employees and supporting the reorganisation measures. The process begun and the measures initiated will continue to be rigorously implemented in the coming year. An extensive action plan has been agreed with the Managing Board. Alongside the ongoing merger and integration measures, a comprehensive new strategy for employee training has been initiated in close consultation with the Volksbank Academy and its training officers.

As at the reporting date of 31 December 2015, the VBW Group employed 1,130 people (full-time equivalents).

Significant organisational and IT projects

The Association of Volksbanks' central organisation function that was demerged from VBAG was merged into VBW in July 2015. The associated legal, HR, process and IT activities were carried out by the Organisation/IT division in a project entitled "Transformation". This project covered the organisation of structures and processes for all functions and areas within the former VBAG and VBW. Among other things, this entailed meeting the challenge of harmonising processes, migrating data and implementing a wide variety of applications in VBW within the prescribed time frame (around nine months).

Two further mergers with the retail banks VB Ost and VB OWD were successfully completed in November 2015. The lead time for this double merger was extremely tight, as follow-up work for the technical implementation of the “Transformation” project in July required a considerable amount of time and had to be undertaken in parallel with the two retail bank mergers. The organisational follow-up work for the merger also fell within this period, which proved to be a significant complication for the retail merger project. The technical merger coordinated by the Organisation/IT division involved integrating clients in the Association’s data centre “Allgemeines Rechenzentrum GmbH” (ARZ) and was successfully implemented over two weekends. There were no significant problems reported affecting customers in the first business days following the technological merger. All systems, such as internet banking, self-service terminals and counters in the branches among many others, were put into operation on schedule and without issue.

The purpose of the “Model Client” project (Mustermandant) was to harmonise the parameters and system-supported processes of the core banking system in the Volksbank sector. This facilitates mergers, creates synergies and saves costs. Uniform system parameters have already been rolled out, and a uniform product offering and pricing packages are currently being developed. The central organisation has had its own technical client and support team set up for system support and maintenance. Parameters can now be changed centrally for the entire Volksbank sector. The migration of the retail banks to the model clients simplifies work and had to be completed before the mergers referred to above could take place.

The aim of the “Association-wide IT Consolidation” project begun in 2013 was to achieve a long-term reduction in the costs of IT infrastructure and associated IT processes within the banks of the association. The two most important elements of the project are the harmonisation of the data network (Network Cloud), which is to be implemented across the association as early as the first half of 2016, and the centralisation of all servers in the ARZ (CeBrA Cloud), which is to be completed by the end of 2017. Alongside tangible cost reductions, the measures already implemented also entail a significant reduction in operational risks in the main institutions.

The “Electronic Banking Platform – Mobile Generation” project was initiated in 2015 with the aim of creating a modern online banking system. The new platform will be rolled out in the first half of 2016 and is to be positioned as an information, communication and transaction channel between the bank and its customers. The application of a responsive, adaptable methodology makes it possible to provide continually evolving functionality, which allows ongoing adjustments to meet market and customer requirements as well as reducing the burden on the in-house support units.

In 2012, the Austrian banks agreed to establish a joint reporting platform (Gemeinsame Meldewesen-Plattform – GMP). The “securities cube” and “loans cube” went live in 2015, representing successful completion of the first milestones for the GMP by the Volksbanks in collaboration with the ARZ. The securities cube looked at the entire organisational, procedural and technological set-up, while the loans cube focused on measures relating to content and the quality assurance necessary as a result of the sheer extent of the loan data. Despite the significant upheavals in 2015 (“Transformation” project), the Association of Volksbanks defined and implemented a collaboration model governing the distribution of reporting responsibilities between the central organisation and the primary banks and realising maximum potential synergies between steps performed on a centralised and decentralised basis. One of the ways in which the success of this collaboration is demonstrated is that the association is the first banking group in Austria to have submitted a live securities cube to the National Bank of Austria.

The bank was tasked with implementing the requirements of the new IFRS 9 accounting standard in December 2015. Because of its high relevance for the banks, implementation of the requirements will take place through a project specially established in January 2016 intended to ensure initial application of the standard by 2018.

Organisational and IT projects are planned and implemented with due consideration to environmental concerns.

Significant events after the balance sheet date

The General Meeting of 17 March 2016 resolved to amend the 2014 banking association agreements. Alongside amendments to the 2014 banking association agreement and collaboration agreement, one of the measures implemented was to set up a trust fund (Leistungsfonds) at the central organisation. Hence the central organisation now bears sole responsibility for restructuring within the association in future, and the common fund (Gemeinschaftsfonds) has been replaced by the Leistungsfonds fund.

The positive outlook for the long-term issuer rating of the Association of Volksbanks reflects the progress in consolidating the association members and the high probability that the rating will be upgraded by as many as two categories as soon as the risk of implementing the consolidation has decreased sufficiently. On the other hand, there is a risk that the viability and long-term issuer rating will be downgraded if the necessary cost reductions are not achieved from the restructuring, if there is a significant downturn in the Austrian economy or if the Association of Volksbanks is unable to repay the Republic of Austria in line with the repayment plan. However, these risks are not currently expected to materialise.

The new branch concept was authorised at the Supervisory Board meeting of 31 March 2016.

Report on the company’s future development and risks

Future development of the company

Economic environment

The first few weeks of the year were marked by growing concerns about the global economy. Weak economic data from China and the sharp decline in oil prices led to considerable losses on the stock markets and declining yields on government bonds perceived as safe. These upheavals are of course not yet taken into account in the economic forecast of the Austrian Institute of Economic Research (WIFO) published in December 2015. However, the Austrian GDP growth rate of 1.7% forecast by WIFO is also assumed in the European Commission’s winter forecast for 2016, which was not published until early February. Consumer spending is expected to benefit from tax reform in 2016, and an upturn in investment is also anticipated. In addition, foreign trade is expected to make a tangible contribution to growth through the weaker euro and a fall in imports due to the recent decline in oil prices.

A growth rate of 1.7% is also forecast for the euro zone as a whole – the ECB’s projection from December 2015 and the European Commission’s winter forecast both assume this figure for 2016. Robust international demand and the weak euro are expected to boost economic growth in the euro zone. However, the rate of inflation in 2016 is forecast to continue to fall short of the European Central Bank’s inflation target of just under 2%, primarily due to the low price of oil. The European Commission expects the rate of inflation to be just 0.5% in 2016. Hence it is possible that monetary policy will be further loosened. Overall, interest rates should therefore remain low, although the tightening of monetary policy introduced at the end of 2015 in the US may lead to a certain upwards trend. This is expected to have a stronger impact on interest rates in capital markets than on the money market.

The main risks for this outlook come from ongoing geopolitical conflicts and the weak or below-average economic development of some large emerging countries such as China, Brazil and Russia which may lead to (further) currency devaluations, increased financial market volatility and have a negative impact on international demand. Increased border controls and disputes within the European Union may also adversely affect the outlook.

On 10 March 2016, the European Central Bank resolved on a range of further measures to ease monetary policy. The deposit rate was reduced by 10 basis points to –0.40%, while the main refinancing rate and the marginal lending rate were both reduced by 5 basis points, to 0% and 0.25% respectively. Furthermore, the bond purchase programme was expanded to euro 80 billion and extended until at least March 2017. Investment-grade corporate bonds – but not bank bonds – will now also be eligible for the purchase programme. There are to be four new targeted long-term refinancing operations (TLTRO II) on a quarterly frequency from June 2016 with a maturity of four years. Participants who increase their lending by at least 2.5% will be able to borrow at the deposit rate. Otherwise, at a maximum, the interest rate may be as high as the main refinancing rate. Unlike with previous long-term refinancing operations, the interest rate is only bound to the base rate at the date the transaction is concluded and is independent of later based rate changes. Because of the new ECB measures, the expected level of interest rates has continued to shift downwards for the current year, especially at the short end of the interest rate curve.

Outlook for planned mergers in 2016

VBW plans to take over the banking operations of Volksbank Marchfeld e.Gen. and Volksbank Weinviertel e.Gen. in July 2016 and those of Volksbank Niederösterreich Süd eG and Volksbank Südburgenland eG in November 2016.

Future development of the company

Following the successful demerger of immigon portfolioabbau ag from the association and VBW's assumption of the central organisation function in 2015, the bank's focus is now on increasing customer business. The bank intends to grow both through the four planned mergers and by strengthening lending and commission business. Commission business will also be promoted through the new cooperation agreement with Union Investment Austria GmbH and reorganisation of the branches. It is anticipated that these measures will allow the bank achieve an annual profit in the low double-digit range once again.

Material risks and uncertainties

With respect to the disclosures required by law relating to the use of financial instruments, risk management objectives and methods and the existence of price, default, liquidity and cash-flow risks, please see the information presented in the notes to the financial statements (in particular the risk report in section 49).

Report on research and development

The VBW Group does not carry out any research or development.

Report on key characteristics of the internal control and risk management systems with regard to accounting processes

Control environment

The ultimate goal of the VBW Group's financial reporting is to comply with all relevant legal requirements. The Managing Board is responsible for establishing and organising an appropriate internal control and risk management system with respect to the accounting process, and provides a Group-wide framework for implementing this in its Group guideline for internal control systems. The OPRISK group is responsible for implementing the system at VBW Group level, while within VBW itself the responsibility falls to the Risk Governance unit.

At each company included in the consolidated financial statements, the respective Managing Board or management team are responsible for establishing and organising an appropriate system of internal controls and for ensuring compliance with Group-wide guidelines and regulations. In order to guarantee that the data provided by group subsidiaries is correctly incorporated into the consolidated accounts, all data delivered is first subject to a reasonableness check. Once this has been carried out, the data is processed further in the Tagetik consolidation software. The controls are subject to the principle of dual control and an additional review by department managers.

Control activities are used in day-to-day business processes to ensure that potential errors are prevented and that any discrepancies in financial reporting are identified and rectified. Control activities range from management reviews of results for different periods to specific account and balance reconciliations and analysis of ongoing Group accounting processes. As part of this process, a distinction is made between two different types of control:

- Operational controls comprise manual controls in the form of specific procedures carried out by employees, automated controls performed using IT systems and preventative controls whose purpose is the proactive avoidance of errors and risks through separation of functions, definition of responsibilities and access permissions.
- Management controls serve to ensure, on the basis of spot checks, that managers are complying with operational controls. The frequency of checks is determined by the manager concerned (head of division, head of department) based on the associated level of risk. Spot checks are documented in the control plan in a way that is comprehensible to third parties, and the results are presented every six months as part of management reporting.

Internal Audit also performs regular independent checks of compliance with internal regulations for accounting processes. As an administrative department, Internal Audit is assigned directly to the Managing Board. It reports directly to the Chairman of the Managing Board and submits a report to the Supervisory Board on a quarterly basis.

Risk assessment

Risks relating to the accounting process are recorded and monitored by the process managers, with a focus on materiality.

For the preparation of the financial statements, estimates must be made regularly in areas for which there is an intrinsic risk that future developments may deviate from these estimates. This applies particularly to the following items and information in the consolidated financial statements: impairment of financial assets, risks to the banking business, social capital and the outcome of legal disputes. In some cases, publicly available sources will be used or external experts will be consulted in order to minimise the risk of inaccurate estimates.

Information and communication

Guidelines and regulations relating to financial reporting are regularly updated by management and communicated to all employees concerned.

Employees in Group accounting are also trained on an ongoing basis with regard to international accounting reforms, so that risks relating to unintentional errors in reporting can be identified at an early stage. Employees in Group accounting also communicate this information to employees at subsidiaries.

A management report is produced twice a year and contains information on the completeness, comprehensibility, active implementation and effectiveness of the control system with regard to the accounting process.

Monitoring

Senior management regularly receives condensed financial reporting such as quarterly reports on the performance of the various segments and key financial indicators. Financial statements that are to be published are subject to a final check by senior employees in accounting, divisional management and the Managing Board before they are forwarded to the relevant committees. The results of monitoring activities covering accounting processes are included in the management report. The report contains a risk assessment of the processes on a qualitative basis, and documents the number of controls being carried out in relation to the control guidelines.

Vienna, 13 April 2016

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Chairman of the Managing Board
General Secretariat, Organisation / IT,
HR Management, Press Office, Risk Control, Banking Association Strategy

Josef PREISSL
Deputy Chairman of the Managing Board
Compliance Office, Property Subsidiaries, Integration/Operational Risk Governance,
Legal, Audit, Association Risk Management, Risk Retail/SME,
Reorganisation Management, VB Services for Banks

Wolfgang SCHAUER
Member of the Managing Board
Major Commercial, Marketing/Communication,
Regional Management/Branches, Treasury,
Sales Management, Front Office Service Center

Rainer BORNS
Member of the Managing Board
Finance

CONSOLIDATED FINANCIAL STATEMENTS

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Statement of comprehensive income

Income statement	Note	1-12/2015 Euro thousand	1-12/2014 Euro thousand	Changes Euro thousand	%
Interest and similar income		110,254	87,029	23,224	26.69 %
Interest and similar expense		-40,191	-28,362	-11,829	41.71 %
Net interest income	4	70,062	58,667	11,395	19.42 %
Risk provisions	5	13,758	11,287	2,471	21.89 %
Fee and commission income		45,184	30,137	15,046	49.93 %
Fee and commission expenses		-15,123	-2,602	-12,521	> 200.00 %
Net fee and commission income	6	30,060	27,535	2,525	9.17 %
Net trading income	7	7,080	0	7,080	> 200.00 %
General administrative expenses	8	-122,159	-69,571	-52,588	75.59 %
Restructuring cost		-321	0	-321	100.00 %
Other operating result	9	15,792	5,297	10,495	198.15 %
Income from financial investments	10	8,510	5,100	3,410	66.85 %
Income from companies measured at equity		-6,531	0	-6,531	100.00 %
Result before taxes		16,252	38,316	-22,064	-57.58 %
Income taxes	11	12,789	-8,810	21,599	< -200,00 %
Result after taxes		29,041	29,506	-465	-1.58 %
Result attributable to shareholders of the parent company (Consolidated net result)		29,022	29,506	-485	-1.64 %
thereof from continued operations		29,022	29,506	-485	-1.64 %
thereof from discontinued operations		0	0	0	0.00 %
Result attributable to non-controlling interest		20	0	20	100.00 %
thereof from continued operations		20	0	20	100.00 %
thereof from discontinued operations		0	0	0	0.00 %

Other comprehensive income

	1-12/2015 Euro thousand	1-12/2014 Euro thousand	Changes Euro thousand	%
Result after taxes	**29,041**	**29,506**	**-465**	**-1.58 %**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Revaluation obligation of defined benefit plans (IAS 19)	2,898	-2,263	5,161	< -200.00 %
Deferred taxes of revaluation IAS 19	-724	566	-1,290	< -200.00 %
Total items that will not be reclassified to profit or loss	2,173	-1,697	3,871	< -200.00 %
Items that may be reclassified to profit or loss				
Available for sale reserve (including deferred taxes)				
Change in fair value	12,379	13,019	-640	-4.92 %
Net amount transferred to profit or loss	-718	-12,679	11,961	-94.34 %
Change in deferred taxes of untaxed reserves	78	27	51	189.64 %
Change from companies measured at equity	231	0	231	100.00 %
Total items that may be reclassified to profit or loss	**11,970**	**367**	**11,603**	**> 200.00 %**
Other comprehensive income total	**14,143**	**-1,330**	**15,473**	**< -200.00 %**
Comprehensive income	**43,184**	**28,176**	**15,008**	**53.27 %**
Comprehensive income attributable to shareholders of the parent company	43,165	28,176	14,989	53.20 %
thereof from continued operations	43,165	28,176	14,989	53.20 %
thereof from discontinued operations	0	0	0	0.00 %
Comprehensive income attributable to non-controlling interest	19	0	19	100.00 %
thereof from continued operations	19	0	19	100.00 %
thereof from discontinued operations	0	0	0	0.00 %

Statement of financial position as at 31 December 2015

	Note	31 Dec 2015 Euro thousand	31 Dec 2014 Euro thousand	31 Dec 2013 Euro thousand	Changes 2015 - 2014 Euro thousand	%
Assets						
Liquid funds	12	1,280,269	31,057	32,432	1,249,211	> 200.00 %
Loans and advances to credit institutions (gross)	13	2,794,241	780,424	1,176,519	2,013,818	> 200.00 %
Loans and advances to customers (gross)	14	3,722,212	2,454,254	2,325,733	1,267,958	51.66 %
Risk provisions (-)	15	-68,782	-35,202	-84,936	-33,580	95.39 %
Trading assets	16	172,286	0	0	172,286	100.00 %
Financial investments	17	1,717,908	85,711	281,337	1,632,197	> 200.00 %
Investment property	18	35,852	13,780	10,475	22,072	160.18 %
Companies measured at equity	19	19,601	0	0	19,601	100.00 %
Participations	20	31,691	20,455	19,088	11,236	54.93 %
Intangible assets	21	35,946	10	30	35,936	> 200.00 %
Tangible fixed assets	22	120,579	40,798	36,101	79,781	195.55 %
Tax assets	23	30,462	6,099	7,909	24,363	> 200.00 %
Current tax assets		4,133	0	5,065	4,133	100.00 %
Deferred tax assets		26,329	6,099	2,844	20,230	> 200.00 %
Other assets	24	125,466	14,973	11,313	110,493	> 200.00 %
TOTAL ASSETS		**10,017,732**	**3,412,360**	**3,816,000**	**6,605,372**	**193.57 %**
Liabilities and Equity						
Amounts owed to credit institutions	25	4,071,299	75,156	304,542	3,996,143	> 200.00 %
Amounts owed to customers	26	3,992,500	3,063,804	3,233,274	928,696	30.31 %
Debts evidenced by certificates	27	798,362	0	37,173	798,362	100.00 %
Trading liabilities	28	447,361	0	0	447,361	100.00 %
Provisions	29, 30	73,380	31,629	28,917	41,750	132.00 %
Tax liabilities	23	7,932	6,098	0	1,834	30.07 %
Current tax liabilities		200	0	0	200	100.00 %
Deferred tax liabilities		7,731	6,098	0	1,634	26.79 %
Other liabilities	31	212,799	18,998	19,244	193,801	> 200.00 %
Subordinated liabilities	32	17,674	17,589	20,735	85	0.48 %
Equity	34	396,426	199,086	172,115	197,341	99.12 %
Shareholders' equity		393,752	199,086	172,115	194,667	97.78 %
Non-controlling interest		2,674	0	0	2,674	100.00 %
Total Liabilities and Equity		**10,017,732**	**3,412,360**	**3,816,000**	**6,605,372**	**193.57 %**

Changes in the Group's equity

Euro thousand	Subscribed capital 1)	Capital reserve	Retained earnings	IAS 39 valuation reserves: Available for sale reserve 2)	Shareholders' equity	Non-controlling interest	Equity
As at 1 January 2014	**72,484**	**38,858**	**57,881**	**2,892**	**172,115**	**0**	**172,115**
Consolidated net income 3)			29,506		29,506	0	29,506
Change in deferred taxes arising from untaxed reserve			27		27		27
Revaluation obligation of defined benefit plans (IAS 19 including deferred taxes)			-1,697		-1,697	0	-1,697
Available for sale reserve (including deferred taxes)				340	340	0	340
Comprehensive income	0	0	27,836	340	28,176	0	28,176
Kapitalerhöhung	1,714	3,686			5,400		5,400
Dividends paid			-6,606		-6,606	0	-6,606
As at 31 December 2014	**74,198**	**42,544**	**79,111**	**3,232**	**199,086**	**0**	**199,086**
Consolidated net income 3)			29,022		29,022	20	29,041
Change in deferred taxes arising from untaxed reserve			78		78	0	78
Revaluation obligation of defined benefit plans (IAS 19 including deferred taxes)			2,173		2,173	0	2,173
Available for sale reserve (including deferred taxes)				11,661	11,661	0	11,661
Change from companies measured at equity			-9	240	231		231
Comprehensive income	0	0	31,264	11,901	43,165	19	43,184
Capital increase	51,023	111,618			162,641		162,641
Dividends paid			-6,788		-6,788		-6,788
Participation capital	-10,740				-10,740	1	-10,739
Change due to reclassifications shown under non-controlling interest, capital increases and deconsolidation			6,348	41	6,389	2,653	9,043
As at 31 December 2015	**114,481**	**154,162**	**109,935**	**15,174**	**393,752**	**2,674**	**396,426**

1) Subscribed capital corresponds to the figures reported in the financial statements of VOLKSBANK WIEN AG (VBW).
2) As at 31 December 2015, the available for sale reserve included deferred taxes of euro -5,058 thousand (31 December 2014: euro -1,077 thousand).
3) In 2015 (and 2014) the financial statements of VBW contain no currency translation differences resulted from the application of average rates of exchange in the income statement, whether for shareholders' equity nor for non-controlling interest.

Cash flow statement

In euro thousand	1-12/2015	1-12/2014
Annual result (before non-controlling interest)	**29,041**	**29,506**
Non-cash positions in annual result		
Depreciation, amortisation, impairment and reversal of impairment of financial instruments and fixed assets	10,793	8,763
Allocation to and release of provisions, including risk provisions	-5,448	-10,140
Gains from the sale of financial investments and fixed assets	-91	-240
Result from contribution of assets and liabilities	-23,545	-2,413
Non-cash changes in taxes	-17,068	13,124
Changes in assets and liabilities from operating activities		
Loans and advances to credit institutions	1,160,098	456,680
Loans and advances to customers	343,016	-50,177
Trading assets	-7,482	0
Financial investments	165,251	200,196
Investment property	5,905	2,731
Other assets from operating activities	272,365	-3,509
Amounts owed to credit institutions	-1,771,387	-254,330
Amounts owed to customers	-389,980	-336,048
Debts evidenced by certificates	-37,814	-37,173
Derivatives	10,559	3,715
Other liabilities	-260,155	-8,064
Cash flow from operating activities	**-515,941**	**12,623**
Proceeds from the sale or redemption of		
Securities held to maturity	14,897	0
Participations	296	0
Fixed assets	1,527	1,119
Payments for the acquisition of		
Securities held to maturity	0	0
Participations	0	-50
Fixed assets	-3,628	-6,219
Acquisition of subsidiaries - liquid funds	1,645,765	905
Cash flow from investing activities	**1,658,857**	**-4,245**
Capital increase	112,998	0
Dividends paid	-6,788	-6,606
Changes in subordinated liabilities	85	-3,146
Cash flow from financing activities	**106,295**	**-9,752**
Cash and cash equivalents at the end of previous period (= liquid funds)	**31,057**	**32,432**
Cash flow from operating activities	-515,941	12,623
Cash flow from investing activities	1,658,857	-4,245
Cash flow from financing activities	106,295	-9,752
Effect of currency translation	0	0
Cash and cash equivalents at the end of period (= liquid funds)	**1,280,268**	**31,057**
Payments of taxes, interest and dividends		
Income taxes paid	4,561	-4,314
Interest received	116,110	92,957
Interest paid	-43,161	-30,369
Dividends received	331	311

Details of the calculation method of cash flow statement are shown in note 3) ii).
Details of the calculation of the acquisition of subsidiaries are included in note 2).

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NOTES

1) General information

VOLKSBANK WIEN AG (VBW), which has its registered office at Schottengasse 10, 1010 Vienna, is the parent company of national acting subsidiaries and the central organisation (CO) of the Austrian Volksbank sector. In addition to the sector business with Volksbanks, the priorities in private und corporate customer business are based in Austria.

VBW is obliged to produce consolidated financial statements for the first time as at 31 December 2015, as it exceeds the thresholds set out under section 246 of the Austrian Commercial Code (Unternehmensgesetzbuch - UGB). Furthermore, because VBW has acquired securities admitted to trading on a regulated market within the meaning of section 2 (37) of the Austrian Banking Act (Bankwesengesetz - BWG), VBW is obliged to prepare consolidated financial statements under international accounting standards. Pursuant to section 245a UGB, VBW is therefore preparing consolidated financial statements under International Financial Reporting Standards (IFRS) for the first time as at 31 December 2015. As no consolidated financial statements have been prepared under Austrian financial reporting standards for this or any previous years for VBW, the requirement under IFRS 1 to provide an explanation of how the transition from the previous financial reporting standards to IFRS affect its financial position, financial performance and cash flows does not apply.

The VBW Group has applied uniform accounting policies for the opening IFRS statement of financial position as at 1 January 2014 and for all periods reported on within the initial IFRS consolidated financial statements. These accounting policies comply with all IFRSs in force as at 31 December 2015.

VBW has prepared an opening IFRS statement of financial position as at 1 January 2014, recognising all assets and liabilities required to be recognised under IFRS and classifying and measuring them in accordance with IFRS provisions. Exceptions to the retrospective application of other IFRSs have been taken in account pursuant to IFRS 1.13 where appropriate. Exemptions from other IFRSs pursuant to Appendix D to IFRS 1 were not used.

The accounts have been prepared on the assumption that it will remain a going concern. The consolidated financial statements are reported in euros, as this is the Group's functional currency. All figures are indicated in thousand of euro unless specified otherwise. The following tables may contain rounding differences.

The present consolidated financial statements were signed by the Managing Board on 13 April 2016 and then subsequently submitted to the Supervisory Board for notice.

a) Going concern

The primary banks of the Austrian Volksbank sector created a banking association pursuant to section 30a BWG in 2012 with the conclusion of the 2012 banking association agreement, to better meet both the economic challenges of a changing market environment and increasing regulatory requirements.

The primary banks of the Austrian Volksbank sector adopted a resolution in autumn 2014 to strategically restructure the Association of Volksbanks, in order to ensure a sustainable Association of Volksbanks retaining its core competency as a regionally rooted financial services provider.

The core element of the restructuring was, firstly, the splitting up of Österreichische Volksbanken-Aktiengesellschaft (VBAG) into a wind-down entity and the transfer of its central organisation duties to VBW, as well as the conclusion of the 2014 banking association agreement. The CO function was assumed when the demerger was entered in the Commercial Register on 4 July 2015.

A further core element of the restructuring is the binding creation of a target structure made up of eight regional banks and two specialist banks, to be implemented mainly through mergers of primary banks by 31 December 2017. This structure is intended to enable the Association of Volksbanks to operate on capital markets over the medium term.

The third core element is the contractual leveraging of maximum potential synergies within the Association of Volksbanks. In particular, previously identified functions within the Association of Volksbanks will now only be performed at a single point for the whole association (and no longer decentrally). Structures and processes within the Association of Volksbanks are also to be simplified. The overall aim is to create sustainable, high-performance regional Volksbanks across the association, to ensure greater success regionally and greater efficiency within the Association of Volksbanks.

The members of the Association of Volksbanks have joint, unlimited liability and have contractually agreed to bear the costs and risks of the CO on a pro rata basis. The ECB approved the Association of Volksbanks as a banking association pursuant to section 30a BWG with VBW as the CO. The approval was resolved on 2 July 2015 and is valid up to 30 June 2016. As yet, therefore, no new SREP ratio has been stipulated for the newly approved Association of Volksbanks. The bank's management assumes that the approval will be extended. The individual Volksbanks are currently holding their Annual General Meetings. As with last year's votes, a second vote has to be taken at the individual Volksbanks.

Based on previous experience, VBW management assumes that the Annual General Meetings of the individual Volksbanks will vote in favour and that the Association of Volksbanks will therefore be approved.

During the 2016 business year, a merger of VBW with Volksbank Weinviertel e.Gen. and Volksbank Marchfeld e.Gen. is planned for July, and a merger of VBW with Volksbank Südburgenland eG and Volksbank Niederösterreich Süd eG is planned for November.

VBW as the central organisation in accordance with section 30a BWG is part of the banking association (joint liability and liquidity association). The Association of Volksbanks is required to comply with the regulatory provisions of Parts Two to Eight of Regulation (EU) No 575/2013 and section 39a BWG, on the basis of the consolidated financial position (section 30a (7) BWG). VBW must continue to comply with all applicable regulatory provisions on a single-entity basis and at Group level.

Fitch downgraded its rating for the Association of Volksbanks in mid-May 2015. Alongside other Austrian banks, the rating for the Association of Volksbanks was also subject to a review looking at government support. The rating was subsequently downgraded from A to BB-. The downgrade has no significant negative impact on the association's liquidity situation.

The Association of Volksbanks was subject to another rating by Fitch at the end of August 2015, because of the departure of VBAG from the Association of Volksbanks and the restructuring of the association. The rating was upgraded from BB- to BB+ with a positive outlook.

The 2015 restructuring agreement between the Republic of Austria and VBW – supplemented by an implementation agreement between VBW, the Volksbanks, other shareholders in VBW and others – includes provisions for a participation rights issue ("Austrian government's participation right") by VB Rückzahlungsgesellschaft mbH (VB RZG), a direct subsidiary of VBW. The participation rights were issued to fulfil the commitments made to the Austrian government in order to obtain approval for the restructuring from the European Commission under state aid law.

Dividends paid by VB RZV in respect of the Austrian government's participation rights are at the discretion of VBW as the sole shareholder of VB RZG. The Austrian government has no claim to a share of profits under the participation right. The shareholders of VBW granted shares in VBW to the Austrian government without consideration (25 % of the share capital plus one share). The shares were transferred to the Austrian government on 28 January 2016. The Austrian government is obliged to return these shares back to the relevant shareholders without consideration as soon as the total of the payments received by the Austrian government for participation rights and other specified eligible payments reach a certain amount. If the dividends received by the Austrian government in respect of its participation rights and further specified eligible payments (such as any dividends paid with respect to shares held by the Austrian government in VBW) do not reach the minimum thresholds set out by certain contractually stipulated reference dates (a “control event”), the government is entitled to full rights to the shares without further consideration and to claim further ordinary shares in VBW from the shareholders of VBW up to 8 % of the share capital of VBW without further consideration. In such a case, therefore, up to 33 % plus one share of the shares in VBW may become (legal and economic) property of the Austrian government, and the government may obtain full rights to this shareholding (excepting the pre-emption right granted). In the case that the pre-emption right granted by the Austrian government is exercised by a buyer designated by VBW and the minimum threshold for the total payments in respect of participation rights and other eligible payments is not met, the shareholders of VBW have committed to transfer further ordinary shares in VBW to the Austrian government as soon as the government gains full rights to the shares and covering the amount of shares previously transferred to the government and the shares acquired by the buyer designated by VBW.

In line with its contractual obligations towards the Austrian government, every year VBW must submit a proposal to the Volksbanks by 30 November for the total payments to be made by VB RZG in respect of the government's participation right and the necessary contributions to be made by the primary banks towards the total amount (with VBW’s contributions being paid directly to VB RZG and the Volksbanks’ contributions being paid indirectly through VBW). The cost borne by VBW is based on the share of its retail segment in the Association of Volksbanks (total assets per UGB/BWG).

2) Presentation and changes in the scope of consolidation

Business combinations

In restructuring the Association of Volksbanks, Österreichische Volksbanken-AG was split up with the central organisation and top institution functions being transferred to VBW. The number of Volksbanks will also be reduced to a total of ten banks across Austria over the next four years through mergers.

The following measures were implemented in the 2014 and 2015 business years.

2014 aquisition

Gärtnerbank registrierte Genossenschaft mit beschränkter Haftung transferred its company – the Gärtnerbank banking operations with retention of euro 200 thousand in cash and the participation in Schulze-Delitzsch Ärzte und Freie Berufe e.Gen – to VBW against a grant of shares through a transfer and contribution in kind agreement of 23 September 2014. The transfer was entered in the Commercial Register on 6 November 2014. The transfer was made as a contribution in kind for 18,287 new shares in VBW.

The purchase price and the fair values of the assets and liabilities acquired on the acquisition date of 6 November 2014, based on purchase price allocation, are set out in the table below:

Euro thousand	Fair value
Liquid funds	905
Loans and advances to credit institutions	60,586
Loans and advances to customers	136,882
Risk provisions (-)	-19,946
Financial investments	4,230
Investment property	6,492
Participations	6,045
Tangible fixed assets	3,053
Tax assets	4,623
Other assets	320
Amounts owed to credit institutions	-24,944
Amounts owed to customers	-166,578
Provisions	-1,835
Other liabilities	-2,020
Net assets acquired	**7,813**
Purchase price = capital increase	5,400
Gain from bargain purchases	**2,413**

As the purchase price was fully settled through a share issue, there was no cash outflow. The cash inflow relates to the cash reserve acquired in each case. Loans and advances which have been written down are displayed on a gross basis in the table above and throughout the financial statements. In order to ensure that data is consistent with the risk management systems and regulatory reporting, risk provisions acquired as part of the acquisitions have therefore been reported separately. Any adjustments to reflect fair value were reported in the items loans and advances to credit institutions or loans and advances to customers.

The gain on acquisitions is reported under other operating result and largely results from adjustments to reflect the fair value of assets and liabilities, as the purchase price was calculated based on financial statements under corporate law. In addition, the effective date for determining the purchase price and for the transfer is retrospective back to 1 January 2014 under corporate law, while under IFRS the acquisition date depends on when control was obtained. In line with IFRS 3.36, before recognising the gain on acquisition, an analysis was made as to whether all assets and liabilities had been correctly and completely identified and whether the procedures for measuring assets and liabilities had been properly applied.

The fair value of the loans and advances acquired is euro 116,935 thousand, while their gross value is euro 146,640 thousand. Cash flows expected to be irrecoverable as at the acquisition date were euro 19,946 thousand.

Fair values of euro 292 thousand were determined for guarantees in force and credit facilities committed as at the acquisition date and recognised as provisions.

Incidental acquisition costs are recognised under other operating expenses in the consolidated income statement and stand at euro 214 thousand.

As no separate records have been maintained for the banking operations of Gärtnerbank after the merger, net interest income and annual profit after taxes since the acquisition of Gärtnerbank are not available.

If the banking operations of Gärtnerbank had already been acquired on 1 January 2014, net interest income of the VBW Group would be euro 3,074 thousand higher and annual profit after taxes euro 66 thousand higher.

2015 acquisitions

The spin-off and transfer agreement between Österreichische Volksbanken-Aktiengesellschaft (VBAG) and VBW provides for VBAG, as the transferor company, to transfer the demerged assets and the central organisation and central institution function (CO business unit) to VBW through a spin-off for transfer retaining the existing shareholding ratios and by universal succession. The transferee company increased its share capital by 23,400 shares in order to carry out the demerger. The spin-off for transfer was entered in the Commercial Register on 4 July 2015.

Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung transferred its company – the Ost banking operations (VB Ost) with retention of euro 1,000 thousand in cash, all shares in VBW, all shares in Volksbank Südburgenland eGen, several securities and two properties – to VBW through a transfer and contribution in kind agreement of 7 August 2015. The transfer was made as a contribution in kind for 118,459 new shares in VBW. The transfer was entered in the Commercial Register on 3 November 2015.

Volksbank Obersdorf - Wolkersdorf - Deutsch-Wagram e.Gen. mit beschränkter Haftung also transferred its company – the Obersdorf - Wolkersdorf - Deutsch-Wagram banking operations (VB OWD) with retention of euro 700 thousand in cash, all cooperative shares in Volksbank Wien Beteiligung eG and all shares in VBW – to VBW through a transfer and contribution in kind agreement of 7 August 2015. The transfer was made as a contribution in kind for 24,350 new shares in VBW. The transfer was entered in the Commercial Register on 3 November 2015.

The purchase prices and the fair values of the assets and liabilities acquired, based on purchase price allocation, are set out in the table below for the transfers described above:

	Fair values at the date of acquisition			
Euro thousand	**CO business unit**	**VB Ost**	**VB OWD**	**Total**
Liquid funds	1,642,148	2,493	1,125	1,645,765
Loans and advances to credit institutions	3,062,351	42,399	50,155	3,154,904
Loans and advances to customers	1,318,308	241,770	63,213	1,623,291
Risk provisions (-)	-56,502	-2,864	-955	-60,321
Assets held for trading	168,213	0	0	168,213
Financial investments	1,741,283	62,766	7,033	1,811,081
Participations	41,773	3,077	165	45,014
Intangible assets	27,908	7,519	1,778	37,205
Tangible fixed assets	14,252	12,728	4,190	31,170
Tax assets	16,840	0	545	17,385
Other assets	366,846	746	203	367,795
Amounts owed to credit institutions	-5,688,256	-20,608	0	-5,708,864
Amounts owed to customers	-908,707	-292,423	-117,534	-1,318,664
Debts evidenced by certificates	-815,704	-20,473	-350	-836,527
Trading liabilities	-410,525	0	0	-410,525
Provisions	-30,892	-2,898	-1,566	-35,356
Tax liabilities	0	-61	0	-61
Other liabilities	-459,297	-1,741	-95	-461,133
Net assets acquired	**30,038**	**32,430**	**7,907**	**70,375**
Purchase price = capital increase	7,000	36,000	7,400	50,400
Gain from bargain purchases	**23,038**	**0**	**507**	**23,545**
Goodwill	**0**	**3,570**	**0**	**3,570**

As the purchase prices were fully settled through share issues by VBW, there was no cash outflow from the Group. The cash inflow relates to the cash reserve acquired in each case. Loans and advances which have been written down are displayed on a gross basis in the table above and throughout the financial statements. In order to ensure that data is consistent with the risk management systems and regulatory reporting, risk provisions acquired as part of the acquisitions have therefore been reported separately. Any adjustments to reflect fair value were therefore reported in the items loans and advances to credit institutions or loans and advances to customers.

The gain on acquisitions is reported under other operating result and largely results from adjustments to reflect the fair value of assets and liabilities, as the purchase prices were calculated based on financial statements under corporate law. In addition, the effective date for determining the purchase price and for the transfer is retrospective back to 1 January 2015 under corporate law, while under IFRS the acquisition date depends on when control was obtained. In line with IFRS 3.36, before recognising the gain on acquisition, an analysis was made as to whether all assets and liabilities had been correctly and completely identified and whether the procedures for measuring assets and liabilities had been properly applied.

The fair value and the gross value of the loans and advances acquired as well as the cash flows expected to be irrecov-erable as at the acquisition date are as follows:

Euro thousand	CO business unit	VB Ost	VB OWD	Total
Fair value of purchased receivables	1,318,308	238,906	62,258	1,619,473
Gross sum of receivables	1,380,258	256,086	66,614	1,702,957
Estimated unrecoverable receivables	56,502	2,864	955	60,321

Fair values of euro 4,288 thousand for the CO business unit, euro 405 thousand for VB Ost and euro 12 thousand for VB OWD were determined for guarantees in force and credit facilities committed as at the acquisition date and recognised as provisions. The maturities are mostly between one and five years. Cash outflows of around euro 3 million are ex-pected during this period.

Incidental acquisition costs are recognised under other operating expenses in the income statement and stand at eu-ro 1,777 thousand.

The CO business unit has registered net interest income of euro 11,111 thousand and an annual profit after taxes of euro 10 thousand since the acquisition date. This information is not available for VB Ost and VB OWD, as separate records were not maintained following the mergers.

If the CO business unit, VB Ost and VB OWD had already been acquired on 1 January 2015, net interest income of the VBW Group would have been euro 31,505 thousand higher in total and the annual profit after taxes euro 36,200 thou-sand higher.

Euro thousand	CO business unit	VB Ost	VB OWD	Total
Net interest income	23,403	6,338	1,763	31,505
Result after taxes	38,028	-1,002	-826	36,200

Eight subsidiaries were fully consolidated and two associates were recorded under the equity method in the first VBW consolidated financial statements prepared for the 2015 business year. The two associates and three of the subsidiaries were consolidated or recorded from 4 July 2015, as they were acquired on transfer of the CO business unit. All other subsidiaries were consolidated from 1 January 2015. The initial consolidation led particularly to increases in investment property of euro 23 million and fixed assets of euro 52 million. These assets were refinanced with euro 13 million from third parties. Employee benefit provisions of euro 6 million and other liabilities of euro 11 million were also assumed. The earnings of the fully consolidated subsidiaries from previous years of euro 6 million are consolidated in equity with no effect on profit or loss. The companies recorded under the equity method were measured at fair value at the transfer date.

Number of consolidated companies

	31 Dec 2015			31 Dec 2014		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Fully consolidated companies						
Credit institutions	1	0	1	0	0	0
Financial institutions	1	0	1	0	0	0
Other companies	7	0	7	0	0	0
Total	**9**	**0**	**9**	**0**	**0**	**0**
Companies measured at equity						
Credit institutions	2	0	2	0	0	0
Other companies	0	0	0	0	0	0
Total	**2**	**0**	**2**	**0**	**0**	**0**

Number of unconsolidated companies

	31 Dec 2015			31 Dec 2014		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Affiliates	5	0	5	5	0	5
Associated companies	20	1	21	1	0	1
Companies total	**25**	**1**	**26**	**6**	**0**	**6**

The unconsolidated companies in their entirety were deemed immaterial to the presentation of a true and fair view of the net assets, liabilities, financial position and profit or loss of the Group. Beside quantitative criteria like total assets and result after taxes also the effect of consolidation on specific positions as well as on the true and fair view of the consolidated financial statements is taking into account for the assessment of materiality. The calculation of the quantitative characteristics was based on the latest available financial statements of the companies and the Group’s consolidated financial statements for 2015.

The complete list of companies included in the consolidated financial statements, companies measured at equity, as well as the unconsolidated companies including detailed information, can be found at the end of the notes (see note 50), 51), 52)).

3) Accounting principles

The accounting principles described below have been consistently applied to all reporting periods covered by these financial statements and have been followed by all consolidated companies without exception.

The VBW Group’s consolidated financial statements for 2015 and the comparative figures for 2014 and 2013 have been prepared in accordance with the International Financial Reporting Standards (IFRS; previously International Accounting Standards, IAS) and thus comply in full with the provisions set out in section 245a of the Austrian Company Code and section 59a of the Austrian Banking Act governing consolidated financial statements prepared in accordance with internationally recognised accounting principles.

The consolidated financial statements have been prepared in accordance with all IFRS/IAS published by the International Accounting Standards Board (IASB) in force on the balance sheet date as well as all interpretations (IFRIC/SIC) of the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee as endorsed by the European Union.

The consolidated financial statements have been prepared on the basis of costs excluding the following items:

- Derivative financial instruments – measured at fair value
- Financial instruments in the category at fair value through profit or loss and available for sale – measured at fair value
- Investment property assets – measured at fair value
- Financial assets and liabilities which constitute underlying instruments for fair value hedges – amortised costs are adjusted for changes in fair value, which are to be allocated to hedged risks
- Employee benefit provisions – recognised at net present value less the net present value of plan assets

The two following chapters present altered and new accounting standards that are of significance to the consolidated financial statements of VBW.

a) Changes to accounting standards

Changes to accounting rules not adopted by the EU

Amendments have been made to four standards as part of the annual improvement project. Changes to the wording of individual IFRSs are designed to clarify the existing rules. The changes concern IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were adopted by the EU on 18 December 2014 with publication in the Official Journal of the European Union. They are applicable to financial years beginning on or after 1 January 2015.

IFRS 1 – First-time Adoption of International Financial Reporting Standards: An amendment to the basis for conclusions clarifies the significance of the date of effectiveness in connection with IFRS 1. If, at the time when an entity first adopts IFRSs, two published versions of an IFRS exist – i.e. an existing IFRS and a new or revised IFRS that is not yet mandatory but is eligible for voluntary early application – the entity shall be free to choose which version it applies. However, the chosen standard version must then be applied to all periods covered by those first IFRS financial statements, except where IFRS 1 provides otherwise. The standard will not be applied early. This amendment will not have any significant impact.

IFRS 3 – Business Combinations: The amendments reword the existing exception of joint ventures from the scope of IFRS 3. This clarifies that the exception applies to all joint arrangements within the meaning of IFRS 11. It is also clarified that the exception only applies to the financial statements of the joint arrangement or joint activity itself, not to the accounting of the parties involved in the joint activity. The amendment is to be applied prospectively; the standard will not be applied early. This amendment will not have any significant impact.

IFRS 13 – Fair Value Measurement: IFRS 13.48 permits an entity managing a group of financial assets and financial liabilities on the basis of its net exposure to market risk or default risk to calculate the fair value of this group in accordance with the net risk exposure as measured by market participants as at the reporting date (the “portfolio exception”). The proposed change clarifies that this exception for determining fair value applies to all contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities in IAS 32 (e.g. certain contracts for purchase or sale of non-financial items that can be settled in cash or other financial instruments). The change applies prospectively from the beginning of the financial year in which IFRS 13 was first applied; the standard will not be applied early. This amendment will not have any significant impact.

IAS 40 – Investment Property: The amendment clarifies that IAS 40 and IFRS 3 are to be applied independently of each other, i.e. that they are never mutually exclusive. All acquisitions of investment property must therefore be examined on the basis of IFRS 3 criteria to establish whether the acquisition of a single asset, group of assets or business falls within the scope of IFRS 3. The criteria set out in IAS 40.7ff must also be applied to establish whether property is investment property or owner-occupied property. The change applies prospectively for all acquisitions of investment property from the period when the amendment is first applied onward. No adjustment of previous years' figures is required. The change may be applied individually to previous acquisitions on a voluntary basis provided the necessary information is available; the standard will not be applied early. This amendment will not have any significant impact.

Changes to accounting rules not adopted by the EU

Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures by the IASB: The IASB has amended the rules for the sale or contribution of assets between an investor and its associate or joint venture. The amendments were originally to be applied from 1 January 2016. The IASB has postponed the deadline for initial application indefinitely. However, the option for early application remains. These amendments will not have any significant impact.

Amendments to IFRS 10 and 12 and IAS 28 - Investment Entities: The standard serves to clarify issues relating to application of the consolidation exception under IFRS 10 if the parent company meets the definition of an investment entity. Companies are also exempted from the consolidation obligation if the higher-level parent company measures its subsidiaries at fair value in accordance with IFRS 10. If a subsidiary itself meets the definition of an investment entity and provides services related to the parent company's investment activities, it is not to be consolidated. When applying the equity method to an associate or joint venture, an investor that does not meet the definition of an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in its subsidiaries. In the amended standard, the IASB also states that an investment entity measuring all of its subsidiaries at fair value must provide the disclosures relating to investment entities required by IFRS 12. Subject to adoption by the EU, the amendments will apply for reporting periods beginning on or after 1 January 2016. The standards are not being applied early. These amendments will not have any significant impact.

Amendments to IFRS 11 – Joint Arrangements: Acquisition of an interest in a joint operation. The amendment clarifies that the acquisition of initial and additional interests in joint operations that constitute a business as defined in IFRS 3 should be accounted for in accordance with the principles for business combinations accounting in IFRS 3 and other applicable IFRSs, provided these do not conflict with the provisions of IFRS 11. The new rules are to be applied prospectively for all acquisitions in reporting periods beginning on or after 1 January 2016; the standard is not being applied early. These amendments will not have any significant impact.

Amendments to IAS 1 – Presentation of Financial Statements: The amendments are intended to give entities greater discretion to adapt their financial statements to their specific circumstances. They largely consist of clarification that information only has to be disclosed in the notes if its content is material. This explicitly applies even if an IFRS specifies a list of minimum disclosures. A model structure for the notes is no longer prescribed. This facilitates more entity-specific presentation. The amendments clarify that entities are free to decide where to explain accounting and valuation methods in the notes. The amendments also include explanations of the aggregation and disaggregation of items in the statement of financial position and statement of comprehensive income as well as clarification that items of other comprehensive income of companies measured at equity are to be grouped and presented separately based on whether they will subsequently be reclassified to profit or loss. The amendments are applicable to financial years beginning on or after 1 January 2016. Earlier application is permitted, but is subject to EU endorsement; the standard is not being applied early. These amendments will not have any significant impact.

Amendments to IAS 7 – Statement of Cash Flows: The objective of the amendments is to improve information on changes in the entity's liabilities. Disclosures have to be made on changes in financial liabilities whose cash inflows and outflows are shown under cash flows from financing activities on the statement of cash flows. The necessary disclosures can be made in the form of a reconciliation between balance sheet items. The amendments are applicable to business years beginning on or after 1 January 2017. These amendments will have no significant impact.

Amendments to IAS 12 – Income Taxes: The amendments clarify that unrealised losses related to debt instruments measured at fair value but reported at amortised cost for tax purposes may lead to a deferred tax asset. The amendments also clarify that the tax value as opposed to the carrying value of an asset is the relevant amount for estimating future taxable profits and that the carrying value does not constitute an upper limit for the calculation. The effect from the change in the deferred tax position due to reversal of these temporary differences may not be taken into account in estimating future taxable profits for impairment testing of deferred tax assets. The amendments are applicable to business years beginning on or after 1 January 2017. These amendments will have no significant impact.

Amendments to IAS 16 – Property Plant and Equipment and IAS 38 – Intangible Assets: Clarification of acceptable methods of depreciation and amortisation. The amendment clarifies the choice of methods used for depreciation and amortisation of property, plant and equipment and intangible assets. In principle, depreciation and amortisation of property, plant and equipment and intangible assets must reflect consumption of the expected future economic benefits embodied in the asset. The IASB has now clarified that depreciation of property, plant and equipment based on sales revenues from the goods produced by these assets does not reflect such consumption and is therefore not an appropriate method. Revenues are determined not only by consumption of the assets concerned, but also by other factors such as sales volume, price and inflation. This clarification is also adopted in principle by IAS 38 for the amortisation of finite-lived intangible assets. In this case, however, the IASB has also introduced a rebuttable presumption. This allows for revenue-based amortisation of finite-lived intangible assets in the following two exceptional cases. Firstly, if the value of the asset is directly expressed as a measure of revenue, or, secondly, if it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated. It is explained that the basis for determining an appropriate method of amortisation for intangible assets is always to identify the predominant factor limiting use. The IASB has also indicated that an alternative basis for amortisation should be used if this better illustrates the consumption of the intangible asset. The standards will not be applied early. These amendments will not have any significant impact.

Amendments to IAS 27 – Separate Financial Statements: Equity method in separate financial statements: The changes will enable investments in subsidiaries, joint ventures and associates to be measured using the equity method in single-entity IFRS financial statements in future. This reinstates all previously available options for inclusion of such companies in the separate financial statements: measurement at (amortised) cost, recognition as financial instruments available for sale under IAS 39 and IAS 9, and measurement using the equity method. The standard will not be applied early. These amendments will not have any impacts.

Annual Improvements to IFRSs (2012-2014 cycle)

Amendments have been made to four standards as part of the annual improvement project. Changes to the wording of individual IFRSs are designed to clarify the existing rules. The amendments concern IFRS 5, IFRS 7, IAS 19 and IAS 34. The new rules must be applied – either prospectively or retrospectively depending on the amendment concerned – for reporting periods beginning on or after 1 January 2016; the standards are not being applied early. These amendments will not have any significant impact.

b) New accounting standards

New accounting standards already endorsed by the European Union

IFRIC 21 – Levies is an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets: It primarily clarifies when a present obligation to pay levies imposed by governments arises and when a provision or liability should be recognised. The interpretation does not cover fines or levies resulting from public law contracts or that fall under another IFRS, e.g. IAS 12 Income Taxes. Under IFRIC 21, a liability must be recognised when the event triggering the levy occurs. This trigger event giving rise to the obligation to pay a levy is determined by the wording of the applicable legislation. This wording is thus pivotal to the accounting treatment. Earlier voluntary application of the interpretation is permitted. Adoption by the EU was on 13 June 2014 with publication in the Official Journal of the European Union. The amendments are effective for financial years beginning on or after 1 July 2014 and must be applied retrospectively.

New accounting standards not yet adopted by the European Union

New standards and interpretations

IFRS 9 – Financial Instruments: The final version of IFRS 9 was published in July 2014.

Classification and measurement of financial instruments

Financial assets will be separated into just two groups for classification and measurement in future: amortised cost and fair value. The group of financial assets measured at amortised cost consists of those financial assets that give rise on specified dates to cash flows that are solely payments of principal and interest and that are held in the context of a business model where the objective is to hold assets in order to collect contractual cash flows. All other financial assets are allocated to the group measured at fair value. Under certain circumstances, an entity may continue to designate financial assets that fall under the first category to the fair value category instead (fair value option). Changes in value of the financial assets in the fair value category are generally to be recognised in profit or loss. In the case of certain equity instruments, however, there is an option to recognise changes in value in other comprehensive income, although dividends arising from these assets are to be recognised in profit or loss. The rules for financial liabilities have generally been taken from IAS 39. The main difference concerns the recognition of changes in value of financial liabilities measured at fair value. These are to be separated in future: the change in value attributable to an entity’s own credit risk is to be recognised in other comprehensive income, and the remaining change in value in profit or loss.

Accounting for impairments of financial assets

The new rules require recognition not only of actual losses but also of expected losses. The scope of expected losses recorded is also differentiated according to whether or not the default risk of financial assets has materially worsened since the time of acquisition. If the default risk has increased and, at the reporting date, is not categorised as low, all lifetime expected credit losses should be recognised from this time onwards. Otherwise, the entity should only recognise the expected losses over the lifetime of the instrument that result from potential future loss events within the next 12 months. Exceptions apply to trade receivables and lease receivables. For these assets, entities must (in the case of receivables that do not contain a significant financing component) or may (in the case of receivables that contain a significant financing component and in the case of lease receivables) recognise all expected losses upon acquisition.

Hedge accounting

The objective of the new rules is to more closely align hedge accounting with an entity’s economic risk management. As in the past, entities must document the relevant risk management strategy and risk management objectives at the beginning of each hedging relationship. In future, however, the ratio between the hedged item and the hedging instrument must, as a rule, be in line with the requirements of the risk management strategy. If, during the term of a hedging relationship, there is a change in this hedge ratio but not in the risk management objective, the quantities of the hedged item and hedging instrument involved in the hedging relationship must be adjusted without discontinuing the hedging relationship. Unlike in IAS 39, it is no longer possible under IFRS 9 to discontinue hedge accounting at any time without reason. A hedging relationship must be continued for accounting purposes for as long as the risk management objective documented for this hedging relationship remains unchanged and the other requirements for hedge accounting are met. In certain circumstances, entities may still designate individual risk components under IFRS 9, including for non-financial items. The requirements for demonstrating hedge effectiveness have changed. Under IAS 39, hedging relationships could only be included in hedge accounting if they were demonstrated to be highly effective (within a range of 80 % to 125 % effectiveness) by an assessment performed both retrospectively and prospectively. IFRS 9 abolishes both the retrospective assessment and the effectiveness range. Instead, entities must demonstrate, without being bound to any specific quantitative thresholds, that an economic relationship exists between the hedged item and the hedging instrument and that the values of the hedged item and the hedging instrument would move in the opposite direction as a result of the common underlying or hedged risk. This demonstration may be based on a qualitative assessment alone. However, credit risk is not permitted to dominate the value changes resulting from the economic relationship. Subject to EU adoption, which is still outstanding, IFRS 9 is to be applied to reporting periods beginning on or after 1 January 2018. In principle, the standard is to be applied retrospectively. Various options for simplification are provided, however. Earlier, voluntary application is permitted. Given the Group’s business activities, this standard will have a substantial impact on the consolidated financial statements.

IFRS 14 – Regulatory Deferral Accounts: has been published as an interim standard to provide a temporary solution until the relevant IASB project has reached agreement on the accounting of rate-regulated activities. The provisions of this standard will allow an entity that is a first-time adopter of IFRSs within the meaning of IFRS 1 to retain regulatory deferral account balances recognised under its previous national GAAP in its IFRS financial statements and to continue to account for these balances in accordance with its previous accounting methods. The aim is to facilitate the transition to IFRSs for such companies. Application of this standard is explicitly intended for IFRS first-time adopters only; entities that already use IFRSs are excluded. If an entity elects to apply the provisions of IFRS 14 (option), it must meet mandatory presentation and disclosure requirements. For example, regulatory deferral account balances must be presented separately in the statement of financial position, divided into assets and liabilities. The same applies to presentation in the statement of comprehensive income. Disclosures are also required on the nature of the rate regulation that establishes prices and on the risks associated with this. IFRS 14 limits the options for amending the accounting methods previously applied to regulatory deferral accounts. It does not permit first-time recognition of items that did not qualify as regulatory deferral account balances in the entity’s previous national GAAP. Earlier voluntary application of the rules is permitted. The European Commission has decided not to begin the endorsement process for this interim standard, but instead to await the final standard. The new standard will not have any impact.

IFRS 15 – Revenue from Contracts with Customers: The aim of the revised standard is to harmonise the existing, less detailed provisions in the IFRSs with the highly detailed and, in some cases, industry-specific provisions of US GAAP so as to improve the transparency and comparability of financial information. Under IFRS 15, sales revenues are to be recognised when the customer gains control of the agreed goods and services and can draw benefit from them. Unlike in the old rules under IAS 18, the decisive factor is no longer the transfer of significant risks and rewards. Revenues are to be recognised at the amount of the consideration that the entity expects to receive. The new model features a five-step framework, which first identifies the contract with a customer and the separate performance obligations contained therein. The transaction price of the customer contract is then determined and allocated to the individual performance obligations. Finally, when the agreed service is provided and control passes to the customer, revenue is recognised for the relevant performance obligation in the amount of the proportionate transaction price allocated to that obligation. In accordance with specified criteria, a distinction is to be made here between performance obligations satisfied at a point in time and those satisfied over a period of time. The new standard does not distinguish between different types of orders and services, but establishes standard criteria determining when a performance obligation should be recognised at a point in time or over a period of time. The rules and definitions of IFRS 15 will replace the content of IAS 18 and IAS 11 in future. The new standard will not have any significant impact.

c) Application of estimates and assumptions

All assumptions, estimates and assessments required as part of recognition and measurement in line with IFRS are carried out in accordance with the relevant standard, are re-evaluated on an ongoing basis and are based on historical experience and other factors including expectations with regard to future events that appear reasonable in the particular circumstances. These estimates and assumptions have an influence on the amounts shown for assets and liabilities in the statement of financial positions and income and expenses in the income statement.

In the case of the following assumptions and estimates, there is the inherent possibility that the development of overall conditions contrary to expectations as at the balance sheet date may lead to considerable adjustments of assets and liabilities in the next business year.

- Alternative investment measurement methods are used to assess the recoverability of financial instruments for which no active market is available. Some of the parameters taken as a basis when determining fair value are based on assumptions concerning the future.
- The assessment of the recoverability of intangible assets, goodwill, investment properties and property, plant and equipment is based on assumptions concerning the future.
- The recoverability of financial instruments measured at amortised cost or assigned to the available for sale category is based on future assumptions.
- The recognition of deferred tax assets is based on the assumption that sufficient tax income will be generated in future in order to realise existing tax loss carryforwards; where required no deferred tax assets were recognized.
- Assumptions regarding the interest rate, retirement age, life expectancy and future salary increases are applied when measuring existing long-term employee provisions.
- Provisions are measured on the basis of cost estimates from contractual partners, past experience and investment calculation methods.
- Assessments are regularly carried out for liabilities and impairment not recognised in the balance sheet due to guarantees and contingencies in order to determine whether on-balance sheet recognition in the financial statements is to be carried out.

If estimates were required to a greater extent, the assumptions made are shown with the note on the corresponding item. Actual values may deviate from the assumptions and estimates made if overall conditions develop contrary to expectations as at the balance sheet date. Amendments are recognised in profit or loss and assumptions adjusted accordingly once better information is obtained.

d) Consolidation principles

The consolidated financial statement is based on the separate financial statements of all fully consolidated companies prepared in accordance with IFRS. The figures reported in the individual financial statements of associated companies measured at equity have been adjusted to Group accounting principles where the effects on the consolidated financial statements were significant.

The financial statements of the fully consolidated companies and the companies consolidated using the equity method were prepared on the basis of the Group's balance sheet date of 31 December 2015.

Business combinations with a contract date on or after 31 March 2004 are accounted for using the purchase method set out in IFRS 3. Accordingly, all identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date. If the cost of acquisition exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, goodwill is recognised as an asset. The full goodwill methode is not in use. Goodwill is not amortised over the estimated useful life, but instead is tested for impairment annually in accordance with IAS 36. Negative goodwill is recognised directly in income in accordance with IFRS 3 after re-examination. Any change in contingent consideration recognised as a liability at the acquisition date is recognised in profit or loss. Transactions, which do not lead to a loss of control are recognised directly in equity.

Subsidiaries under the direct or indirect control of VBW are fully consolidated if these are material for a true and fair view of the net assets, liabilities, financial position and profit or loss of the Group. Companies in which VBW holds an equity interest of between 20 % and 50 % and for which controlling agreements do not exist are consolidated using the equity method; they are not consolidated if they are not significant for the Group. The Group does not have any interests in joint ventures.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

e) Currency translation

In accordance with IAS 21, foreign currency monetary assets and debts, non-monetary positions stated at fair value and unsettled spot transactions are translated using the spot exchange mean rate, whereas unsettled forward transactions are translated at the forward exchange mean rate prevailing on the balance sheet date. Non-monetary assets and liabilities carried at amortised cost are recognised at the prevailing rate on the acquisition date.

The individual financial statements of fully consolidated companies prepared in currencies other than the euro are translated using the modified closing rate method set out in IAS 21. Under this method, all assets and liabilities are translated at the spot exchange mean rate effective on the balance sheet date, while the historical rate is applied for the translation of equity. Differences resulting from the translation of the financial statements of foreign subsidiaries are recognised in the currency translation reserve in equity. Any goodwill, disclosed hidden reserves and liabilities arising from the initial consolidation of foreign subsidiaries prior to 1 January 2005 have been translated at historical rates. Any goodwill, disclosed hidden reserves and liabilities arising from business combinations after 1 January 2005 are translated at the spot exchange mean rate on the Group's balance sheet date.

Income and expense items are translated at the average spot exchange mean rate for the reporting period, calculated on the basis of the end-of-month rates. Exchange differences between the closing rate applied for the translation of balance sheet items and the average rate used for translating income and expense items are recognised in the currency translation reserve in equity.

f) Net interest income

Interest income and interest expenses are recognised on an accrual basis in the income statement. Current or non-recurring income or expenses similar to interest, such as commitment fees, overdraft commissions or handling fees, are reported in net interest income in accordance with the effective interest method. Premiums and discounts are allocated over the term of the financial instrument using the effective interest method and reported in net interest income.

The unwinding effect resulting from the calculation of the risk provision is therefore shown in interest income.

Net interest income consists of:

- Interest and similar income from credit and money market transactions (including unwinding effect from risk provision)
- Interest and similar income from debt securities
- Income from equities and other variable-yield securities
- Income from affiliated companies and other participations
- Rental income from investment property assets
- Interest and similar expenses for deposits
- Interest and similar expenses for debts evidenced by certificates and subordinated liabilities
- The interest component of derivatives reported in the investment book

Interest income and expenses from trading assets and liabilities are recognised in net trading income.

The result of the valuation and disposal of securities, shares and participations is reported in income from financial investments.

g) Risk provisions

Risk provisions reflect the allocation to and release of provisions for impairments of loans and advances on individual and portfolio basis (see note 3)m)). Loans and advances directly written off and receipts from loans and advances already written off are also recognised in this item. Furthermore, this item contains additions to and releases of provisions for risks.

h) Net fee and commission income

This item contains all income and expenditure relating to the provision of services as accrued within the respective reporting period.

i) Net trading income

All realised and unrealised results from securities, from items in foreign currency and derivatives allocated to the trading book (trading assets and trading liabilities) are reported in this item. This includes changes in market value as well as all interest income, dividend payments and refinancing expenses for trading assets.

Results from the daily measurement of foreign currencies are also reported in net trading income.

j) General administrative expenses

General administrative expenses contain all expenditure incurred in connection with the Group’s operations.

Staff expenses include wages and salaries, statutory social security contributions and fringe benefits, payments to pension funds and internal pension plans as well as all expenses resulting from severance and pension payments.

Administrative expenses include expenses for premises, communications, public relations and marketing, costs for legal advice and other consultancy, as well as training and EDP expenditure.

Amortisation of intangible assets – excluding impairment of goodwill – and depreciation of tangible fixed assets is also reported in this item.

k) Other operating result

In addition to the result from measurement or repurchasing of financial liabilities, impairment of goodwill, measurement of IFRS 5 disposal groups, and the deconsolidation result from the disposal of subsidiaries, this item contains all results from the Group's other operating activities.

l) Income from financial investments

This item contains all realised and unrealised results from financial investments at fair value through profit or loss and all derivatives reported in the investment book. The result from interest or dividends is recognised in net interest income.

In addition, the results of disposals of securitised financial investments classified as available for sale (including participations), loans & receivables and held to maturity are included in this item. Remeasurement results attributable to material or lasting impairment are also reported in this item as well as the increase of the fair value, which can be objectively related to an event occurring after the impairment loss was recognised, up to a maximum of amortised cost.

Results from the daily measurement of foreign currencies are reported in net trading income.

m) Financial assets and liabilities

Recognition

A financial asset or a financial liability is initially recognised in the balance sheet when the Group becomes party to a contract on the financial instrument and thus acquires the right to receive or assumes a legal obligation to pay liquid funds. A financial instrument is deemed to be added or disposed of at the trade date. The trade date is relevant for the initial recognition of a financial instrument in the balance sheet, its measurement in the income statement and the accounting treatment of its sale.

Derecognition

A financial asset is derecognised on the date on which the contractual rights to its cash flows expire. A financial liability is derecognised once it has been redeemed.

The Group conducts transactions in which financial assets are transferred but the risks or rewards incident to the ownership of the asset remain with the Group. If the Group retains all or substantially all risks and rewards, the financial asset is not derecognised, but instead continues to be reported in the balance sheet. Such transactions include, for example, securities lending and repurchase agreements.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions, such as in the Group's trading activities.

Amortised cost

The amortised cost of financial assets and liabilities is defined as the amount consisting of the original purchase price adjusted for account redemptions, the allocation of premiums or discounts over the term of the instrument in accordance with the effective interest method, and value adjustments or depreciation due to impairment or uncollectibility.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For calculation of fair values, the following hierarchy is used and shows the meaning of the single parameters.

Level 1: Quoted prices in active markets of identical assets or liabilities. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable data – either directly as prices or indirectly derived from prices. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties, as well as reference to the current fair value of other instruments that are substantially the same. For discounted cash flow analyses and option pricing models all important parameters are derived either directly or indirectly observable market data. All factors that market participants would consider in setting prices are taken into account, and are consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Level 3: Measurement methods that largely use parameters which are not observable on the market. These parameters have a significant impact on the calculation of fair value. This category also contains instruments which are measured by adjusting non-observable inputs, provided such adjustment is considerable.

The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Impairment

There is a quarterly procedure for the evaluation of lending under which the organisational units responsible for risk are required to make a proposal for risk provisioning on the basis of current developments. An impairment is recognised if, subsequent to the initial recognition of a financial instrument, there is objective evidence of an event that will have an effect on the future cash flows from the financial instrument and reliable assumptions can be made with regard to the extent of such an effect.

Objective evidence that financial assets are impaired includes, for example, financial difficulties of the debtor; the rescheduling of receivables on terms which would otherwise not be granted; indications that the debtor will enter bankruptcy; the disappearance of securities from an active market and other observable data in connection with a group of financial assets, such as changes in the payment status of borrowers or economic conditions correlating with defaults on the assets in the group.

In calculating the level of risk provisioning required, all assets are individually analysed if there is objective evidence of impairment. All significant assets are individually tested on the base of the expected cash flow. Financial assets that are not individually significant are grouped together on the basis of similar risk profiles and assessed collectively. In the case of assets for which there is no objective indication of impairment, impairment is recognised in the form of portfolio-based allowances to reflect impairment that has occurred but not yet been detected.

All customers with an internal rating of 4C to 4E (watch list loans) and all other customers for which other indications show a risk of default, i.e. the contractual redemption is at risk, are examined more intensively in accordance with the Group credit risk manual. A corresponding risk provision is recognised for uncollateralised or partly collateralized exposures. For non-performing loans (rating category 5A – 5E), the appropriateness of the level of risk provisioning is examined.

The amount of impairment for assets carried at amortised cost is calculated as the difference between the carrying amount and the net present value of the future cash flows, taking any collateral into account, discounted using the effective interest rate of the asset. The impairment amount is reported in the income statement. In the event that the reason for impairment ceases to exist at a later date, the impairment loss is reversed through profit or loss. The amount of risk provisions for non-securitised receivables is presented in a separate account. Securitised receivables are impaired or revalued directly. Non-securitised receivables are impaired directly if the asset is derecognised and the risk provision allocated up to the date of recognition was insufficient.

Portfolio-based allowances are calculated for homogeneous portfolios. The parameters listed below are used in assessing the amounts of these value adjustments:

- historical loss experience with non-performing loans
- the estimated losses for the following period
- the estimated period between the occurrence of the loss and its identification (loss identification period: 30 – 360 days)
- Management's experienced judgment as to whether the expected losses in the current period are greater or lower than suggested by historical data.

In the case of available for sale financial assets and a corresponding impairment it is recognised immediately as a write-down in the income statement. The amounts that have been recognised so far in the available for sale reserve will also be reclassified to the income statement. If the reason for impairment ceases to exist, the impairment loss is reversed through profit or loss in the case of debt instruments or recognised directly in comprehensive income taking into account deferred taxes in the case of equity instruments.

Financial instruments designated at fair value through profit or loss

The Group makes use of the option to irrevocably designate financial instruments at fair value through profit or loss. Allocation to this category is performed if one of the three following criteria is met:

- Groups of financial assets and financial liabilities are managed on a fair value basis in accordance with a documented risk management and investment strategy.
- Fair value measurement can be demonstrated to prevent inconsistencies in the valuation of financial assets and liabilities.
- A financial instrument contains an embedded derivative that is generally required to be reported separately from the host agreement at fair value.

Interest, dividends and relating commission income and expenses are recognised in the corresponding items in profit and loss for financial assets and liabilities in the investment book measured at fair value through profit or loss. Result of fair value measurement is shown separately in income from financial investments.

In note 37) Financial assets and liabilities, the amounts allocated to the at fair value through profit or loss category are indicated for each class of financial asset and liability. The reasons for the designation are described in the notes on the individual financial assets and liabilities.

Derivatives

Derivatives are always recognised in income at their fair value.

For calculation of fair value the credit value adjustments (CVA) and debt value adjustments (DVA) are taken into account. Counterparty risk for market values arising from unsecured derivatives is taken into account by means of CVA respectively DVA – a way of approximating potential future loss in relation to counterparty default risk. The expected future exposure (EFE) is calculated using a Monte Carlo simulation. As no observable credit spreads are available for these counterparties on the market, the default probabilities for the counterparties are based on the Group's internal ratings.

Changes in the market value of derivatives that are used for a fair value hedge are recognised immediately in the income statement under income from financial investments. The change in market value of the underlying transaction resulting from the hedged risk is also recognised under net income from financial instruments, irrespective of its allocation to individual categories under IAS 39. The Group uses fair value hedges to hedge against interest rate and currency risks arising from fixed-income financial investments and liabilities, foreign currency receivables and liabilities and structured issues.

In the case of cash flow hedges, the change in the fair value of the derivative is recognised in the cash flow hedge reserve in the other comprehensive income, taking into account deferred taxes. The ineffective part of the hedge is recognised in income. The valuation of the underlying transaction depends on the classification of the underlying transaction into the different categories. The Group doesn’t use cash flow hedges at the moment.

Embedded derivatives are reported and measured separately, irrespective of the financial instrument in which they are embedded, unless the structured investment has been designated and allocated to the at fair value through profit or loss category.

Own equity and debt instruments

Own equity instruments are carried at cost and deducted from equity on the liabilities side of the balance sheet. Repurchased own issues are deducted from issues at their redemption amounts on the liabilities side of the balance sheet, with the difference between the redemption amount and cost reported in other operating result.

n) Loans and advances to credit institutions and customers

Loans and advances represent non-derivative financial assets with fixed or determinable redemption amounts which are not traded on an active market and are not securitised.

Loans and advances to credit institutions and customers are recognised at their gross amounts before deductions for impairment losses, including deferred interest. The total amount of risk provisions for balance sheet receivables is recognised as a reduction on the asset side of the balance sheet under loans and advances to credit institutions and loans and advances to customers. Risk provisions for off-balance sheet transactions are included in provisions.

Receivables are initially measured at fair value plus incremental direct transaction costs. Subsequent measurement is performed at amortised cost using the effective interest method unless the receivables are designated to the at fair value through profit or loss category.

o) Risk provisions

Risk provisions reflect the allocation to and release of provisions for impairments of loans and advances on individual and portfolio basis (see note 3) m)). Loans and advances directly written off and receipts from loans and advances already written off are also recognised in this item. Furthermore, this item contains additions to and releases of provisions for risks.

p) Trading assets and liabilities

Trading assets include all financial assets acquired with a view to short-term sale or forming part of a portfolio which is intended to yield short-term profits. Trading liabilities consist of all negative fair values of derivative financial instruments used for trading purposes. In this position there are no financial assets and liabilities reported which are designated to the at fair value through profit and loss category.

Both initial recognition and subsequent measurement are performed at fair value. Transaction costs are expensed as incurred. All changes in fair value as well as all interest and dividend payments and refinancing allocable to the trading portfolio are reported in net trading income.

q) Financial investments

Financial investments comprise all securitised debt and equity instruments not classified as participations. Financial investments are initially recognised at fair values plus incremental direct transaction cost. Subsequent measurement depends on whether the financial assets are allocated to the at fair value through profit or loss, available for sale, loans & receivables or held to maturity categories.

Available for sale

This category comprises all financial instruments which are not allocated to the at fair value through profit or loss, loans & receivables or held to maturity categories. It also includes all equity instruments with no maturity date, provided that they have not been classified as at fair value through profit or loss. Shares which are not traded on a stock exchange and whose fair value cannot be reliably determined are carried at cost less any impairment losses. All other available for sale assets are measured at fair value. Changes in fair value are taken directly to equity until these financial investments are sold or impaired and the remeasurement result is transferred from equity to the income statement. With regard to debt securities, the difference between cost including transaction cost and the redemption amount is amortised in accordance with the effective interest method and recognised in income. Accordingly, only the difference between amortised cost and fair value is recognised in the available for sale reserve.

Loans & receivables

All securitised financial investments with fixed or determinable payments that are not quoted in an active market and which the Group does not intend to sell immediately or in the near term are classified as loans & receivables. These financial instruments are recognised at amortised cost in accordance with the effective interest method.

Held to maturity

The Group allocates financial instruments to this category if it has the positive intention and ability to hold them to maturity and they have fixed or determinable payments and a fixed maturity.

These financial instruments are recognised at amortised cost in accordance with the effective interest method. Any sale or reallocation of a substantial part of these financial instruments which does not occur on a date that is close to the redemption date or is attributable to a non-recurring isolated event that is beyond the Group’s control and that could not have been reasonably anticipated, results in the reallocation of all held to maturity financial investments to the available for sale category for the two subsequent fiscal years. In 2015 no such reallocations took place.

r) Investment property

All land and buildings that meet the definition of investment property as set out in IAS 40 are reported at market value. Annual measurement is essentially based on RICS standards (Royal Institution of Chartered Surveyors). The RICS defines market value (sale value) as the estimated amount for which a property could be sold on the date of valuation by a willing seller to a willing buyer in an arm's-length transaction after a suitable marketing period, wherein the parties had each acted knowledgeably, prudently and without compulsion. These calculations are earnings calculations prepared on the basis of current rent lists and lease expiry profiles, and are subject to assumptions regarding market developments and interest rates. Comparative value methods are also used for plots of land where development is not expected in the near future. Yields are defined by appraisers and reflect the current market situation as well as the strengths and weaknesses of the given property.

The real estate portfolio is valued almost exclusively by external appraisers. The criteria for selecting appraisers include proven professional qualification and experience of the locations and categories of property being valued. In Austria, appraisals are carried out by IMMO-CONTRACT Maklerges.m.b.H.. External appraisers are paid a fixed fee which does not depend on the appraised market value of the property.

Since parameters are used to measure investment property which are not based on market information, investment property is classified in Level 3 of the fair value category. The assumptions and parameters used in the valuation are updated on every valuation date, which can lead to considerable fluctuations in the figures.

Tenancy agreements are in place with commercial and privat lessees; these vary owing to the diversity of the portfolio. These tenancy agreements generally have longer terms of up to 10 years and are secured with deposits. Adjustments to indexes in line with the market are taken into account. Rents are not linked to revenue. Purchase options have been granted for some properties.

Rental income is recognised on a straight-line basis in accordance with the term of the respective lease and rental contracts and reported in interest and similar income.

s) Participations

The Group establishes subsidiaries and acquires participations for strategic reasons and as financial investments. Strategic participations relate to companies operating in the Group's lines of business or companies supporting the Group's business activities.

Companies over which the Group exercises a significant influence are measured using the equity method. All other participations are recognised at their respective fair values. Fair values are determined by reference to quoted market prices on active markets, or by using a valuation method if there is no active market. Valuation methods include using discounted cash flow techniques and valuations using multiples. If discounted cash flow procedures are used, the discount rates applied are based on the current recommendations of the Expert Committee of the Austrian Chamber of Public Accountants and Tax Advisers and international financial information service companies. In 2015 it was at 9.0 %. Market risk premiums used in these calculations in 2015 at 6.75 % beta values at 1.1. Additional sovereign risks were not observed. Procedures are also used where fair values are determined by adapting available market data for similar financial instruments. Participations whose fair value cannot be reliably determined are carried at cost. Impairment is recorded for losses in value. If the reason for impairment ceases to exist, the impairment loss is reversed and recognised directly in equity with due consideration of deferred taxes.

t) Intangible and tangible fixed assets

Intangible assets are carried at cost less straight-line amortisation and impairment. This item primarily comprises acquired goodwill, customer relationships and software.

Goodwill is not depreciated on a straight-line basis, but instead is tested for impairment at least once a year in accordance with IAS 36, or more frequently if events or changes in circumstances indicate that impairment may have occurred. Impairment testing is performed for the cash-generating units (CGUs) to which goodwill is allocated. Impairment requirements for CGUs are calculated by comparing carrying value with their realisable value. Where realisable value is less than the carrying value, the difference is recognised as an impairment expense. Impairment of goodwill may not be reversed in the subsequent period. Tangible fixed assets are carried at cost and depreciated on a straight-line basis over their estimated life in the case of depreciable assets.

Write-downs are recognised for permanent impairment. If the circumstances resulting in the recognition of a write-down cease to exist, the write-down is reversed up to a maximum of amortised cost.

The useful life is the period of time during which an asset is expected to be used by the Group and is calculated as follows:

Office furniture and equipment	up to 10 years
EDP hardware (including calculators, etc.)	up to 5 years
EDP software	up to 4 years
Vehicles	up to 5 years
Customer relationships	up to 20 years
Strongrooms and safes	up to 20 years
Buildings, reconstructed buildings	up to 50 years
Rental rights	up to the period of lease

u) Tax assets and liabilities

This item is used to report current and deferred tax assets and liabilities.

According to the balance sheet liability method set out in IAS 12, deferred taxes are derived from all temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet prepared in accordance with IFRS. Deferred taxes are calculated for subsidiaries on the basis of the tax rates that apply or have been announced in the individual countries on the balance sheet date. Deferred tax assets are offset against deferred tax liabilities for each individual subsidiary.

Deferred tax assets in respect of unutilised tax loss carryforwards are recognised to the extent that it is probable that future taxable profit will be available at the same company against which the unused tax losses can be utilised or if sufficient taxable temporary differences exist. The appraisal period is up to 4 years. Deferred tax assets from tax loss carryforwards are impaired, if it is unlikely that the tax benefit can be realised. Deferred taxes are not discounted.

v) Other assets

Deferred items are used for accruing income and expenses and are shown in this item together with other assets. Value adjustments are recognised for impairment. This item also includes all positive fair values of derivatives that are reported in the investment book and carried at fair value. With the exception of derivatives used in cash flow hedges, which are taken directly to other comprehensive income, changes in fair value are reported in income from financial investments.

w) Liabilities

The initial recognition of amounts owed to credit institutions and customers as well as debts evidenced by certificates is performed at fair value plus directly attributable transaction cost. Subsequent measurement is performed at amortised cost in accordance with the effective interest method, unless these liabilities were designated as liabilities at fair value through profit or loss.

x) Employee benefits

Payments to defined contribution plans are expensed as incurred. Irregular payments are allocated to the respective reporting period.

VBW Group has made defined benefit commitments for individual staff members for the amounts of future benefits. All of these plans are partly unfunded, i.e. the funds required as cover are retained and the VBW Group recognises the necessary provisions. These plans are funded exclusively by the Group; employees are not required to make contributions to the plans. In VBW Group, staff pension entitlements were transferred to a pension fund in previous years and are shown as plan assets. There are no extraordinary risks, risks specific to the company or plans, or significant risk concentrations.

The pension fund has established an asset risk management process (ARM process) for those pension obligations transferred to it.

At VICTORIA-VOLKSBANKEN Pensionskassen AG, risk is measured at investment and risk assoociation (VRG) level using the value at risk (VaR) and shortfall risk (SFR) indicators. These quantify maximum loss probabilities under normal market conditions. Scenario analyses are also performed in order to take into account rarely occurring extreme market movements. VaR and SFR are the core indicators used to manage risk at VRG level. Defined limits for VaR and SFR values along with hedging measures in the event of negative market developments provide the framework for the VRG's investments.

The pension fund fulfils the requirements of the Austrian Financial Market Authority's Risk Management Regulation (Risikomanagementverordnung) in its own area and report regularly in this regard to the Supervisory Board. On the liabilities side, the biometric risks in the VRG are regularly reviewed in order to identify long-term deviations from the basis of calculation in a timely manner and to avoid such deviations by amending the tables accordingly. The same applies to the obligations that have not been transferred. There is no specific ALM management for these obligations as, in the case of direct obligations (pensions, settlements and long-service bonuses), these provisions are not covered by directly attributable assets. However, the ranges of fluctuation resulting from fluctuations of the parameters included are calculated and monitored as part of a sensitivity analysis in order to assess the impact of possible fluctuations on the asset side of the balance sheet in a timely manner.

In accordance with the projected unit credit method, provisions for pensions and severance payments are calculated on the basis of generally recognised actuarial principles for determining the present value of the overall entitlement and additional claims acquired in the reporting period. For severance payments, this procedure takes into account retirement due to attainment of pensionable age, occupational incapacity, disability or death, as well as the vested rights of surviving dependents.

Actuarial gains and losses are recognised directly under other comprehensive income. Past service cost is recognised immediately through profit and loss when the plan is amended. All income and expenses connected with defined benefit plans are recognised under staff expenses.

Principal actuarial assumptions

	2015	2014	2013
Expected return on provisions for pensions	1.50 %	1.60 %	3.00 %
Expected return on provisions for severance payments	2.00 %	2.00 %	3.00 %
Expected return on anniversary pensions	2.00 %	1.80 %	3.00 %
Expected return on plan assets	1.50 %		
Future salary increase	3.00 %	3.00 %	3.50 %
Future pension increase	2.00 %	2.00 %	2.00 %
Fluctuation rate	none	none	none

The fundamental biometric actuarial assumptions of the latest Austrian scheme by Pagler&Pagler for calculating pension insurance for salaried employees are applied as the basis of calculation (AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung – Pagler&Pagler, Angestelltenbestand).

The current retirement age limits are generally taken into account in these calculations. It is assumed that, as a rule, men will retire at the age of 65 years and women at the age of 60 years. Any transitional arrangements are neglected.

Pension obligations comprise claims of employees who were in active service for the Group on the valuation date as well as entitlements of pension recipients. These entitlements are defined in special agreements and in the Group's Articles of Association, and represent legally binding and irrevocable claims.

y) Other provisions

Other provisions are recognised if a past event has given rise to a present obligation and it is likely that meeting such an obligation will result in an outflow of resources. They are built to the amount of the most probable future claims, taking into account cost estimates of contractual partners, experienced data and financial mathematical methods. A contingent liability is reported if an eventual obligation exists and an outflow of resources does not appear probable or no reliable estimate of the amount of the obligation can be made. Riskprovisions are discounted.

Risk provisions comprise loan loss provisions for contingent liabilities (in particular financial guarantees). Other provisions contain provisions for legal disputes and restructuring. Risk provisions allocated and released are recorded under risk provisions in the income statement. Amounts allocated to and released from the restructuring provision are included under restructuring expense, while income and expenses from all other provisions are mainly recognised under other operating result.

z) Other liabilities

Deferred items are used for accruing income and expenses and are shown in this item together with other liabilities. This item also includes all negative market values of derivatives that are reported in the investment book and carried at fair value. With the exception of derivatives used in cash flow hedges and hedges of a net investment, which are taken directly to other comprehensive income, changes in fair value are reported in income from financial investments.

aa) Subordinated liabilities

Subordinated capital is initially recognised at market value plus directly attributable transaction costs. It is subsequently measured at amortised cost using the effective interest method, unless these liabilities were designated as liabilities at fair value through profit or loss.

In case of bankruptcy or the winding up of the enterprise, all amounts accounted for as subordinated liabilities may be satisfied after having met the demands of all other non-subordinated creditors.

In addition to subordination, the contractual terms for supplementary capital contain a performance-based interest payment. Interest may only be paid insofar as this is covered by annual profit before changes in reserves of the company issuing the capital. Supplementary capital interests also participate in any loss. The repayment amount is lowered by current losses. Repayment at nominal value is only possible once more if the proven losses are covered by profits.

bb) Equity

Financial instruments issued by the VBW Group which do not involve a contractual obligation to transfer cash or another financial asset to another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to the issuer are reported in equity.

Capital management in VBW Group is done on the basis of the supervisory capital. For further details see chapter ee) Own funds in accordance chapter 49)c) Risk strategy and internal capital adequacy assessment process.

cc) Capital reserves

In accordance with IAS 32, the transaction cost of an equity transaction are accounted for as a deduction from equity, taking into account deferred taxes, to the extent that they constitute incremental costs that are directly attributable to the equity transaction. Furthermore the difference between face value and repurchase value of own shares, as far as it is covered in capital reserves, is shown there. If the difference exceeds capital reserves, this amount is deducted from retained earnings.

dd) Retained earnings

All legal and statutory reserves as well as other reserves, provisions against a specific liability as defined by section 57 (5) of the Austrian Banking Act, untaxed reserves and all other undistributed profits are reported in retained earnings.

ee) Own funds

The company is subject to external capital requirements based on the European Union's CRD IV and CRR (Basel III). The rules on capital ratios specified here constitute the central management variable in the VBAG Group. These ratios reflect the relationship between regulatory own funds and credit, market and operational risk. Accordingly, the risk/return management of VBAG is based on the capital allocated to one business or, ultimately, one organisational unit and the income to be generated from this, taking into account the corresponding risk considerations.

Credit risk is determined by multiplying on-balance-sheet and off-balance-sheet exposures on the basis of their relative risks by the risk weighting to be allocated to a counterparty. The procedures for determining risk-relevant parameters (exposure, risk weighting) are based on percentages specified by regulatory requirements (standard approach). There is also an equity capital requirement for credit valuation adjustments in derivatives transactions. This is derived from regulatory requirements and, in particular, reflects the counterparty risk in the derivatives transaction. The market risk component of the Group is also calculated using the standard approach. The capital requirements for operational risk are calculated by multiplying the revenues by the respective percentages for the divisions.

Regulatory own funds can be broken down into three elements:

- Common Equity Tier I (CET1)
- Additional Tier I (AT1)
- Supplementary capital or Tier II capital (T2)

The first two components comprise the Tier I capital.

CET1 comprises the equity and participation capital that meets the CRR requirements. These are as follows: classified as equity with separate disclosure in the accounts, perpetual, fully loss-bearing, no reduction in the principal amount except in the case of liquidation or repayment without particular incentive mechanisms, no obligation to make distributions, distributions not linked to the nominal price. Transition arrangements apply for existing participation capital that does not fulfil the CET1 criteria. In the period until 2021, this capital will be applied at a rate reduced by ten percentage points each year. From 2022, this capital will no longer be eligible at all. CET1 also includes capital reserves, retained earnings, other reserves and non-controlling interests used to meet the regulatory capital requirement. Intangible assets and goodwill, deferred tax assets and interests in other credit institutions constitute significant deductions.

T2 also includes non-current subordinated liabilities.

The minimum equity ratio (total of Tier I and Tier II) is 8%. Minimum core capital requirements are 4.5 % for CET1 and 6.0 % for Tier I. The VBW Group complied with these relevant supervisory requirements throughout the entire reporting period and its own funds exceeded the minimum requirements.

From 2016, banks must also build up a capital conservation buffer step by step each year to reach 2.5 percentage points in 2019. This must consist of CET1 capital. In 2016 the required capital conservation buffer is 0.625 %.

The Austrian Financial Market Authority (FMA) has stipulated an additional systemic risk buffer for some Austrian banks on an individual basis based on the Capital Buffer Regulation (*Kapitalpuffer-Verordnung*) effective 1 January 2016. The capital buffer is intended to absorb the risks arising from the large degree of interdependence between banks. This requirement does not apply to VBW.

Alongside the systemic risk buffer, the Capital Buffer Regulation also governs the FMA's countercyclical capital buffer. This buffer is intended to counteract any credit bubbles that emerge and is currently set at 0.0 percentage points for claims in Austria. The suitability of this buffer will in future be evaluated on a quarterly basis by the Financial Market Stability Board.

The JRAD process – a periodic process used by the supervisory authorities to assess banks' capital adequacy – may give rise to higher regulatory ratios. As the ECB approved the new banking association pursuant to section 30a BWG with VBW as the CO by a resolution of 2 July 2015, no new SREP ratio has yet been stipulated for the newly approved association.

The Group's own funds are described in note 37) Own funds.

ff) Trustee transaction

Transactions in which an affiliate of the Group acts as a trustee or in any other trusteeship function and thus manages or places assets on a third-party account are not shown in the balance sheet. Commission payments from such transactions are reported in net fee and commission income.

gg) Repurchase transactions

Under genuine repurchase agreements, the Group sells assets to a contractual partner and simultaneously undertakes to repurchase these assets at the agreed price on a predefined date. The assets remain in the consolidated balance sheet as no risk or rewards are transferred and are measured in accordance with the rules applying to the respective balance sheet items. At the same time, the received payment is recognised as a liability.

hh) Contingent liabilities

Possible obligations for which an outflow of resources does not appear probable or no reliable estimate of the amount of the obligation can be made are reported under contingent liabilities. Provisions are recognised for acceptances and endorsements as part of provisions for risks if there are likely to be future claims.

Obligations arising from financial guarantees are recognised as soon as the VBW Group becomes a contracting party, i.e. when the guarantee offer is accepted. Initial measurement is performed at fair value. Generally the fair value corresponds to the value of the premium agreed.

Guaranteed amounts of members in the case of participations in cooperatives are reported under other contingent liabilities.

A follow-up check is regularly performed in order to determine whether on-balance sheet recognition in the consolidated financial statements is necessary.

ii) Cash flow statement

The cash flow statement is calculated in accordance with the indirect method. Here, the net cash flow from operating activities is calculated based on the annual result after taxes and before non-controlling interest, whereby non-cash expenses and income during the business year are included and deducted respectively first of all. Moreover, all expenses and income which did serve as cash, but were not allocated to operating activities, are eliminated. These payments are recognised under the cash flow from investing activities or financing activities. The interest, dividend and tax payments, which are stated separately, are solely from operating activities.

Cash flows from non-current assets such as held to maturity securities, participations and fixed assets are assigned to the cash flow from investing activities. The cash flow from financing activities includes all cash flows of the owners as well as changes to subordinated liabilities and non-controlling interest. Liquid funds have been defined as cash and cash equivalents and comprise balances with central banks as well as cash in hand. These balances are composed of the minimum reserve to be held according to statutory provisions and current investments with various central banks.

4) Net interest income

Euro thousand	2015	2014
Interest and similar income	110,254	87,029
Interest and similar income from	105,468	84,391
liquid funds	-1,157	0
credit and money market transactions with credit institutions	4,054	15,392
credit and money market transactions with customers	81,009	63,013
debt securities	3,310	4,650
derivatives in the investment book	18,253	1,336
Current income from	1,663	2,272
equities and other variable-yield securities	1,325	1,689
other affiliates	0	351
investments in other companies	338	232
Income from operating lease and investment property	3,123	367
rental income investment property	3,123	367
Interest and similar expenses of	-40,191	-28,362
deposits from credit institutions (including central banks)	-12,783	-1,634
deposits from customers	-16,939	-22,360
debts evidenced by certificates	-1,082	-227
subordinated liabilities	-553	-580
derivatives in the investment book	-8,833	-3,561
Net interest income	**70,062**	**58,667**

Net interest income according to IAS 39 categories:

Euro thousand	2015	2014
Interest and similar income	110,254	87,029
Interest and similar income from	105,468	84,391
derivatives in the investment book	18,253	1,336
financial investments not at fair value through profit or loss	87,216	83,054
financial investments available for sale	2,649	4,650
financial investments at amortised cost	83,909	78,405
of which unwinding of risk provisions	814	0
financial investments held to maturity	658	0
Current income from	1,663	2,272
financial investments available for sale	1,663	2,272
Operating lease operations and investment property	3,123	367
Interest and other similar expenses of	-40,191	-28,362
derivatives in the investment book	-8,833	-3,561
financial investments at amortised cost	-31,358	-24,801
Net interest income	**70,062**	**58,667**

Due to the trend of money market interest rates towards negative reference rates, interest income of euro 9,458 thousand and interest expenses of euro -2,490 thousand were realised in the 2015 business year. Negative interest income is reported in the cash reserve in interest income. All other results from negative interest rates are reported gross rather than as reductions of the relevant interest item.

The main reasons for the negative interest rates are, firstly, the reduction in the ECB's deposit rate (penalty rate), the negative effect of which is euro -1,204 thousand and otherwise primarily involve CHF/EUR swaps.

5) Risk provisions

Euro thousand	2015	2014
Allocation to risk provisions	-15,392	-7,733
Release of risk provisions	25,682	20,453
Allocation to provisions for risks	-2,920	-667
Release of provisions for risks	2,320	421
Direct write-offs of loans and advances	-7,964	-1,289
Income from loans and receivables previously written off	12,033	102
Risk provisions	**13,758**	**11,287**

6) Net fee and commission income

Euro thousand	2015	2014
Fee and commission income from	45,184	30,137
lending operations	5,466	5,015
securities businesses	18,307	8,476
payment transactions	16,825	12,851
from foreign exchange, foreign notes and coins and precious metals transactions	895	1,560
other banking services	3,692	2,236
Fee and commission expenses from	-15,123	-2,602
lending operations	-3,456	-461
securities businesses	-9,555	-675
payment transactions	-1,825	-1,304
from foreign exchange, foreign notes and coins and precious metals transactions	-15	-5
other banking services	-272	-157
Net fee and commision income	**30,060**	**27,535**

Net fee commission income does not include any income or expenses from financial investments designated at fair value through profit or loss.

Management fees for trust agreements were recognised in fee and commission income in the amount of euro 0 thousand (2014: euro 0 thousand).

7) Net trading income

Euro thousand	2015	2014
Equity related transactions	41	0
Exchange rate related transactions	2,539	0
Interest rate related transactions	4,500	0
Net trading income	**7,080**	**0**

8) General administrative expenses

Euro thousand	2015	2014
Staff expenses	-64,369	-39,716
Wages and salaries	-47,933	-29,161
Expenses for statutory social security	-12,503	-8,032
Fringe benefits	-1,136	-763
Expenses for retirement benefits	-938	-444
Allocation to provision for severance payments and pensions	-1,859	-1,314
Other administrative expenses	-49,490	-26,276
Depreciation of fixed tangible and intangible assets	-8,300	-3,579
Scheduled depreciation (-)	-8,300	-3,579
Impairment (-)	0	0
General administrative expenses	**-122,159**	**-69,571**

Staff expenses include payments for defined contribution plans totalling euro 1,978 thousand (2014: euro 703 thousand).

Other administrative expenses include expenses for managing contracts for investment properties to the amount of euro 10 thousand (2014: euro 0 thousand).

For the business year, expenses for the auditor KPMG Austria GmbH Wirtschaftsprüfung und Steuerberatungsgesellschaft amounted to euro 1,597 thousand (2014: euro 0 thousand). Thereof euro 1,597 thousand (2014: euro 0 thousand) fall upon the audit of the consolidated financial statements including financial statements of fully consolidated companies and joint enterprises.

Information on compensation to board members

Euro thousand	2015	2014
Total compensation		
Supervisory board	57	104
Managing Board	1,244	856
Former board members and their surviving dependents	352	204
Expenses for severance payments and pensions		
Managing Board	900	332
Thereof defined contribution plans	69	22

Members of the Managing Board do not receive performance or results-based pay. The total compensation of Managing Board members consists of a fixed basic salary and other compensation (e.g. in-kind benefits). There is no stock-option or share-transfer scheme for members of the Managing Board.

Principles and prerequisites of the pension scheme:
The pension scheme is a defined-contribution scheme for all members of the Managing Board. The collective pension-fund bargaining agreement for commercial credit cooperatives has been applied to members of the Managing Board. All members of the VBW Managing Board who have a valid contract and a mandate to serve on the Board are eligible to join the scheme.

Principles governing pension entitlements and claims of members of the Managing Board at termination of the function: Three members of the Managing Board are subject to the new severance payment system (“Abfertigung Neu”), one member of the Managing Board is subject to the old severance payment system (“Abfertigung Alt”). There is also a D&O insurance policy (directors’ and officers’ insurance).

Number of staff employed, including disposal group

	Average number of staff		Number of staff at year end	
	2015	2014	31 Dec 2015	31 Dec 2014
Domestic	815	583	1,130	671
Total number of staff	**815**	**583**	**1,130**	**671**

9) Other operating result

Euro thousand	2015	2014
Other operating income	57,710	7,149
Other operating expenses	-40,840	-375
Other taxes	-1,078	-1,477
Other operating result	**15,792**	**5,297**

Other operating income includes a gain on acquisitions of euro 23,545 thousand (2014: euro 2,413 thousand). Other operating expenses include losses of euro -16,679 thousand assumed due to VBAG's departure from the Association of Volksbanks. This relates to the allocation of losses from VBAG's bonds within the Association of Volksbanks, which had to be written down to their market value on 4 July 2015 with the loss being recognised on the income statement.

The remaining amounts in the other operating income and other operating expenses are primarily cost allocations to association members resulting from the assumption of the CO function and contributing to the increase in these items.

10) Income from financial investments

Euro thousand	2015	2014
Result from fair value hedges	**-221**	**0**
Result from revaluation of underlying instruments	-4,711	0
Loans and advances to credit institutions and customers	-1,667	0
Debt securities	965	0
Amounts owed to credit institutions and customers	-78	0
Debts evidenced by certificates	-3,930	0
Result from revaluation of derivatives	4,490	0
Result from valuation of other derivatives in the investment book	**5,916**	**-3,377**
Exchange rate related transactions	-2,229	-121
Interest rate related transactions	-860	-3,142
Credit related transactions	-613	-113
Other transactions	9,619	0
Result from available for sale financial investments (including participations)	**-2,638**	**7,951**
Realised gains / losses	725	12,679
Income from revaluation	143	0
Impairments	-3,505	-4,728
Result from assets for operating lease and investment property assets as well as other financial investments	**5,453**	**526**
Realised gains / losses	0	982
Change in value investment property	5,453	-456
Income from financial investments	**8,510**	**5,100**

In 2015, an amount of euro 718 thousand (2014: euro 12,679 thousand) previously recognised in the available for sale reserve was reclassified and shown in the income statement.

Euro thousand	2015	2014
Result from financial investments, which are measured at fair value through profit and loss	**11,148**	**-3,832**
Financial instruments at fair value through profit or loss	0	0
Fair value hedges	-221	0
Other derivatives in the investment book	5,916	-3,377
Investment property assets	5,453	-456
Result from financial investments, which are not measured at fair value through profit and loss	**-2,638**	**8,933**
Realised gains / losses	724	13,661
Available for sale financial investments	725	12,679
Loans & reveivables financial investments	0	0
Held to maturity financial investments	0	0
Operating lease assets and other financial investments	0	982
Income from revaluation	143	0
Available for sale financial investments	143	0
Loans & receivables financial investments	0	0
Impairments	-3,505	-4,728
Available for sale financial investments	-3,505	-4,728
Income from financial investments	**8,510**	**5,100**

11) Income taxes

Euro thousand	2015	2014
Current income taxes	1,907	-942
Deferred income taxes	13,049	-7,945
Income taxes for the current fiscal year	**14,957**	**-8,887**
Income taxes from previous periods continued operation	-2,167	77
Income taxes from previous periods	-2,167	77
Income taxes	**12,789**	**-8,810**

The reconciliation below shows the relationship between the imputed and reported tax expenditure

Euro thousand	2015	2014
Annual result before taxes - continued operation	16,252	38,316
Annual result before taxes - total	**16,252**	**38,316**
imputed income tax 25 %	4,063	9,579
Tax relief resulting from		
tax-exempt investment income	-90	-155
investment allowances	87	27
other tax-exempt earnings	0	-5
measurement of participation	-663	0
non-taxable valuation results	-5,886	-603
re-inclusion of deferred tax assets	-12,389	0
other differences	-78	44
Reported income taxes	**-14,957**	**8,887**
Effective tax rate - continued operations	**-92.03 %**	**23.19 %**
Effective tax rate - including discontinued operations	-92.03 %	23.19 %

The effective tax rates differ significantly from the statutory tax rate in Austria due to the offsetting of deferred tax assets, particularly with regard to tax loss carryforwards.

		2015			2014	
Euro thousand	Result before tax	Income taxes	Result after tax	Result before tax	Income taxes	Result after tax
Revaluation obligation of defined benefit plans (IAS 19)	2,898	-724	2,173	-2,263	566	-1,697
Available for slae reserve	15,548	-3,887	11,661	476	-136	340
Change in deferred taxes of untaxed reserve	0	78	78	0	27	27
Change from companies measured at equity	308	-77	231	0	0	0
Other comprehensive income total	**18,753**	**-4,610**	**14,143**	**-1,787**	**457**	**-1,330**

Notes to the consolidated statement of financial positions

12) Liquid funds

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Cash in hand	32,882	31,057	32,432
Balances with central banks	1,247,387	0	0
Liquid funds	**1,280,269**	**31,057**	**32,432**

13) Loans and advances to credit institutions

Loans and advances to credit institutions amounting to euro 2,794,241 thousand (2014: euro 780,424 thousand, 2013: euro 1,176,519 thousand.) are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
on demand	426,343	773,964	1,043,851
up to 3 months	794,941	451	85,337
up to 1 year	148,754	4,388	30,334
up to 5 years	1,388,334	393	10,647
more than 5 years	35,869	1,228	6,349
Loans and advances to credit institutions	**2,794,241**	**780,424**	**1,176,519**

Further information on maturities are included in note 49) d) Credit risk.

14) Loans and advances to customers

Loans and advances to customers amounting to euro 3,722,212 thousand. (2014: euro 2,454,254 thousand, 2013: euro 2,325,733 thousand) are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
on demand	115,872	60,620	65,084
up to 3 months	164,166	104,622	94,688
up to 1 year	442,556	249,016	223,462
up to 5 years	1,108,868	659,559	574,670
more than 5 years	1,890,750	1,380,438	1,367,828
Loans and advances to customers	**3,722,212**	**2,454,254**	**2,325,733**

Further information on maturities are included in note 49) d) Credit risk.

15) Risk provisions

Euro thousand	Individual impairment credit institutions	Individual impairment customers	Portfolio based allowance	Total
As at 1 Jan 2014	**0**	**80,142**	**4,794**	**84,936**
Changes in the scope of consolidation	0	21,240	283	21,523
Utilisation	0	-58,537	0	-58,537
Release	0	-19,464	-989	-20,453
Addition	0	7,733	0	7,733
As at 31 Dec 2014	**0**	**31,114**	**4,088**	**35,202**
Changes in the scope of consolidation	0	62,414	3,175	65,590
Currency translation	0	132	28	159
Reclassification	0	-250	0	-250
Unwinding	0	-814	0	-814
Utilisation	0	-20,814	0	-20,814
Release	0	-24,837	-845	-25,682
Addition	0	15,010	382	15,392
As at 31 Dec 2015	**0**	**61,954**	**6,828**	**68,782**

Loans and advances to customers include non-interest-bearing receivables amounting to euro 99,149 thousand (2014: euro 50,603 thousand, 2013: euro 137,195 thousand). The additions include an amount of euro 0 thousand (2014: euro 54 thousand, 2013: euro 188 thousand), which is caused by allocation due to interest past-due. The line reclassification includes reclassifications to the position other assets. Portfolio based allowances related to loans and advances to customers.

16) Trading assets

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Debt securities	7,479	0	0
Positive fair value from derivatives	164,807	0	0
exchange rate related transactions	710	0	0
interest rate related transactions	164,097	0	0
Trading assets	**172,286**	**0**	**0**

Breakdown by residual term

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
up to 3 months	305	0	0
up to 5 years	1,737	0	0
more than 5 years	5,437	0	0
Debt securities	**7,479**	**0**	**0**

Since the acquisition of CO functions the company maintains a trading book. The volume of the trading book as at 31 December 2015 amounts to euro 5,682,617 thousand.

17) Financial investments

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Financial investments available for sale	1,637,976	85,711	281,337
Debt securities	1,584,288	60,340	192,178
Equity and other variable-yield securities	53,688	25,372	89,159
Financial investments loans & receivables	414	0	0
Financial investments held to maturity	79,518	0	0
Financial investments	**1,717,908**	**85,711**	**281,337**

Financial investments held to maturity also include deferred interest of euro 1,383 thousand (2014: euro 0 thousand, 2013: euro 0 thousand).

Breakdown by residual term

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
up to 3 months	21,027	617	25,307
up to 1 year	50,459	5,933	6,042
up to 5 years	642,479	17,517	160,828
more than 5 years	950,254	36,273	0
Debt securities	**1,664,220**	**60,340**	**192,178**

Breakdown of debt securities in accordance with the Austrian Banking Act

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Listed securities	1,645,977	69,321	197,624
Debt securities	1,635,441	58,860	192,178
Equity and other variable-yield securities	10,536	10,461	5,447
Securities allocated to fixed assets	1,574,538	85,711	281,337
Securities eligible for rediscounting	1,534,546	45,134	191,091

All securities held with the intention of belonging more than one year to the Group are shown in position securities allocated to fixed assets.

18) Investment property

Euro thousand	Investment properties
Cost as at 1 Jan 2014	9,626
Changes in the scope of consolidation	7,207
Additions, including transfers	804
Disposals, including transfers	-3,786
Cost as at 31 Dec 2014	13,851
Changes in the scope of consolidation	21,703
Additions, including transfers	946
Disposals, including transfers	-1,502
Cost as at 31 Dec 2015	**34,998**

Euro thousand	Investment properties
2014	
Cost as at 31 Dec 2014	13,851
Cumulative write-downs and write-ups	-71
Carrying amount as at 31 Dec 2014	**13,780**
Impairments of fiscal year	-1,426
Revaluations of fiscal year	971
Carrying amount as at 1 Jan 2014	10,475
2015	
Cost as at 31 Dec 2015	34,998
Cumulative write-downs and write-ups	854
Carrying amount as at 31 Dec 2015	**35,852**
Impairment of fiscal year	-330
Revaluations of fiscal year	5,784

The valuations shown in the table above are included within the income from financial investments item. These valuations include holdings of investment property assets to the amount of euro 150 thousand (2014: euro -456 thousand, 2013: euro 0 thousand) at the reporting date.

In 2015, carrying amount of investment property assets to the amount of euro 6,851 thousand (2014: euro 3,535 thousand, 2013: euro 0 thousand) was disposed of.

Investment properties contain 27 completed properties (2014: 18, 2013: 16) with a carrying amount of euro 23,872 thousand (2014: euro 11,520 thousand, 2013: euro 7,729 thousand), (2013: two properties under construction with a carrying amount of euro 2,746 thousand) as well as undeveloped land with a carrying amount of euro 11,980 thousand (2014: euro 2,260 thousand, 2013: euro 0 thousand). These properties are located in Austria. At balance sheet date, the properties under construction and the undeveloped land are measured at fair value.

The valuation of investment property uses parameters that are not based on market data. Investment properties are therefore classified in the level 3 fair value category.

The non-observable input factors are provided by independent external experts and reflect the current market assessment taking into account the specific features of each property. The main input parameters are shown below, with a distinction made between finished properties and undeveloped real estate. The minimum and maximum values are reported for each individual input parameter along with the average value weighted by the book value (average). The average value in the position carrying amount corresponds to the average value of each property. The parameter values therefore do not generally relate to one and the same property.

Completed properties

	2015			2014		
	Minimum	**Maximum**	**Average**	**Minimum**	**Maximum**	**Average**
Carrying amount in euro thousand	40	3,850	884	70	3,850	640
Rentable space in sqm	30	48,263	2,774	40	22,979	1,794
Occupancy rate	0 %	100 %	92 %	0 %	100 %	84 %
Discount rate	1.50 %	7.00 %	4.70 %	3.50 %	7.00 %	4.66 %

Sensitivity analyses

Euro thousand	**Changes in the carrying amount if assumption is increased**	**Changes in the carrying amount if assumption is decreased**
31 Dec 2015		
Discount rate (0.25 % change)	-1,207	1,342
Discount rate (0.75 % change)	-2,297	2,845
31 Dec 2014		
Discount rate (0.25 % change)	-586	653
Discount rate (0.75 % change)	-1,116	1,384

Undeveloped land

	2015			2014		
	Minimum	**Maximum**	**Average**	**Minimum**	**Maximum**	**Average**
Carrying amount in euro thousand	20	2,840	922	200	680	452
Plot size in sqm	540	41,847	13,708	1,086	41,847	12,770
value per sqm in euro	5	626	244	5	626	242

Sensitivity analyses

Euro thousand	**Changes in the carrying amount if assumption is increased**	**Changes in the carrying amount if assumption is decreased**
31 Dec 2015		
Land value (10 % change)	1,198	-1,198
Land value (5 % change)	599	-599
31 Dec 2014		
Land value (10 % change)	226	-226
Land value (5 % change)	113	-113

The Group has committed itself to maintain investment property refunded by a third party. Apart from that, there are no other obligations to purchase, construct, develop or maintain investment property.

19) Companies measured at equity

Euro thousand	Associates
Carrying amount as at 1 Jan 2014	0
Carrying amount as at 31 Dec 2014	0
Changes in the scope of consolidation	25,901
Comprehensive income proportional	-1,485
Impairment	-4,815
Carrying amount as at 31 Dec 2015	**19,601**

Associates

VBW holds shares in the following associated companies. Volksbank Gewerbe- und Handelsbank Kärnten eGen (GEHA) and IMMO-Bank Aktiengesellschaft (IMMO-Bank).

VBW holds a 31.85 % share in GEHA with registered office in Klagenfurt. The company's main business purpose consists of banking operations and bank-related brokering and services.

VBW holds a 22.87 % share in IMMO-Bank with registered office in Vienna. The company's main business purpose is the financing of housing cooperatives and high-volume residential buildings. Refinancing normally takes the form of mortgage bonds.

GEHA and IMMO-Bank are reported at equity in the consolidated financial statements from 4. July 2015.

In the following, the financial information is presented for all companies in aggregated form as none of the companies are deemed material in terms of the proportion of the financial information relevant to VBW reporting.

Additional information regarding associates

Euro thousand	Other companies 2015
Assets	
Liquid funds	5,111
Loans and advances to credit institutions (gross)	469,444
Loans and advances to customers (gross)	1,639,155
Risk provisions	-11,063
Financial investments	21,415
Other assets	88,582
Total assets	**2,212,645**
of which current assets	739,624
Liabilities and Equity	
Amounts owed to credit institutions	508,376
Amounts owed to customers	845,386
Debts evidenced by certificates	624,263
Subordinated liabilities	46,926
Other liabiliites	34,302
Equity	153,392
Total liabilities	**2,212,645**
of which current liabilities	1,152,526
Statement of comprehensive income	
Interest and similar income	41,046
Interest and similar expense	-8,451
Net interest income	32,595
Risk provisions	-14,695
Result before taxes	-6,061
Income taxes	220
Result after taxes	-5,841
Other comprehensive income	762
Comprehensive income	**-5,079**

Not recognised proportional loss

Euro thousand	2015
Loss of the period proportional	0
Change in other comprehensive income of the period proportional	0
Cumulative loss	0
Cumulative other comprehensive income	0

Reconciliation

Euro thousand	2015
Equity	153,392
Equity interest	n.a.
Equity proportional	41,343
Cumulative impairment and reversals	-4,815
Not recognised proportional loss	0
Valuation previous years	-16,926
Transfer carrying amount	0
Carrying amount as at 31 Dec 2015	19,601

In the reconciliation, the proportionate equity is reconciled with the carrying amount. As the other companies are aggregated, it is not possible to state the shareholding. The line valuations previous years includes the fair value measurement of the contribution of the CO business unit.

According to the statutory provisions of the Cooperative Societies Act (GenG), VBW only receives its original capital contribution back in the event that it terminates its share in GEHA (not in the event of liquidation or sale). Any dividends of GEHA and IMMO Bank are limited in the sense that the supervisory regulations must be followed and the equity capital may not fall below a certain amount.

20) Participations

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Investments in unconsolidated affiliates	579	8,724	6,734
Participating interests	2,616	93	0
Investments in other companies	28,496	11,638	12,353
Participations	**31,691**	**20,455**	**19,088**

A list of unconsolidated affiliates can be found in note 52). Participations with a carrying amount of euro 290 thousand (2014: euro 1 thousand, 2013: euro 0 thousand) were disposed of during the business year. Profit from these sales amounted to euro 7 thousand (2014: euro 0 thousand, 2013: euro 0 thousand) and is shown under income from financial investments.

Participations in companies whose fair value cannot be reliably determined are carried at cost net of any impairment. Participations with a carrying amount of euro 22,859 thousand (2014: euro 0 thousand, 2013: euro 0 thousand) were measured at market value.

21) Intangible assets

Euro thousand	Software	Goodwill	Other	Total
Cost as at 1 Jan 2014	1,407	0	0	1,407
Changes in the scope of consolidation	62	0	0	62
Additions, including transfers	1	0	0	1
Disposals, including transfers	-105	0	0	-105
Cost as at 31 Dec 2014	1,365	0	0	1,365
Changes in the scope of consolidation	28,797	3,570	28,597	60,964
Additions, including transfers	875	0	0	875
Disposals, including transfers	-5,916	0	0	-5,916
Cost as at 31 Dec 2015	**25,122**	**3,570**	**28,597**	**57,288**

Euro thousand	Software	Goodwill	Other	Total
2014				
Cost as at 31 Dec 2014	1,365	0	0	1,365
Cumulative write-downs and write-ups	-1,355	0	0	-1,355
Carrying amount as at 31 Dec 2014	**10**	**0**	**0**	**10**
of which unlimited useful life	0	0	0	0
of which limited useful life	10	0	0	10
Amortisation in fiscal year	-22	0	0	-22
Carrying amount as at 1 Jan 2014	30	0	0	30
2015				
Cost as at 31 Dec 2015	25,122	3,570	28,597	57,288
Cumulative write-downs and write-ups	-20,622	0	-721	-21,342
Carrying amount as at 31 Dec 2015	**4,500**	**3,570**	**27,876**	**35,946**
of which unlimited useful life	0	3,570	0	3,570
of which limited useful life	4,500	0	27,876	32,376
Amortisation in fiscal year	-2,630	0	-721	-3,351

Composition of goodwill

Euro thousand	Carrying amount 31 Dec 2015	Impairment 2015	Carrying amount 31 Dec 2014	Impairment 2014
Retail segment	3,570	0	0	0
Total	**3,570**	**0**	**0**	**0**

Goodwill for the 2015 business year in the retail segment relates to the goodwill from the acquisition of VB Ost.

Goodwill underwent an impairment review pursuant to IAS 36. The review is performed annually in the fourth quarter on the basis of the relevant long-term plan. The review of goodwill in the retail segment was performed based on the 2016 to 2020 long-term plan for the RD Ost profit centre, which corresponds to the CGU allocated. This plan was based on empirical historical values and management's best estimates regarding future developments. For the review of materiality, net cash inflows over the planning period were estimated, with a constant growth rate of 2.7 % being extrapolated over subsequent years. The CGU's value in use was calculated with the discounted cash flow procedure, using a discount rate of 6.98 %. The comparison of the value in use calculated with the carrying value did not give rise to any impairment requirement. Raising the discount rate to 7.40 % and reducing the growth rate to 2.0 % likewise resulted in no impairment requirement.

22) Tangible fixed assets

Euro thousand	Land and buildings	EDP-equipment	Office furniture and equipment	Other	Total
Cost as at 1 Jan 2014	59,121	2,785	22,211	1,320	85,437
Changes in the scope of consolidation	0	369	1,415	3,652	5,436
Currency translation	0	0	0	0	0
Additions, including transfers	4,062	140	1,576	612	6,390
Disposals, including transfers	-498	-990	-942	-711	-3,141
Cost as at 31 Dec 2014	62,686	2,304	24,260	4,872	94,121
Changes in the scope of consolidation	79,012	6,362	28,255	3,148	116,777
Currency translation	0	0	0	0	0
Additions, including transfers	21,547	196	2,247	0	23,991
Disposals, including transfers	-2,339	-2,565	-16,716	-8,020	-29,640
Cost as at 31 Dec 2015	**160,906**	**6,298**	**38,045**	**0**	**205,249**

Euro thousand	Land and buildings	EDP-equipment	Office furniture and equipment	Other	Total
2014					
Cost as at 31 Dec 2014	62,686	2,304	24,260	4,872	94,121
Cumulative write-downs and write-ups	-30,675	-1,953	-19,146	-1,549	-53,323
Carrying amount as at 31 Dec 2014	**32,011**	**351**	**5,113**	**3,323**	**40,798**
Depreciation in fiscal year	-1,574	-310	-1,456	-218	-3,557
Book value 1 Jan 2014	29,799	514	5,045	743	36,101
2015					
Cost as at 31 Dec 2015	160,906	6,298	38,045	0	205,249
Cumulative write-downs and write-ups	-50,644	-5,888	-28,138	0	-84,670
Carrying amount as at 31 Dec 2015	**110,263**	**410**	**9,907**	**0**	**120,579**
Depreciation of fiscal year	-3,427	-466	-1,057	0	-4,950

23) Tax assets and liabilities

	31 Dec 2015		31 Dec 2014		01 Jan 2014	
Euro thousand	Tax assets	Tax liabilities	Tax assets	Tax liabilities	Tax assets	Tax liabilities
Current tax	4,133	200	0	0	5,065	0
Deferred tax	26,329	7,731	6,099	6,098	2,844	0
Tax total	**30,462**	**7,932**	**6,099**	**6,098**	**7,909**	**0**

The table below shows the differences resulting from the balance sheet figures reported in accordance with Austrian tax legislation and IFRS giving rise to deferred tax assets.

Euro thousand	2015 Tax assets	2015 Tax liabilities	2014 Tax assets	2014 Tax liabilities	Net deviation 2015 Total	Net deviation 2015 In income statement	Net deviation 2015 In other comprehensive income
Loans and advances to credit institutions	0	5,192	0	0	-5,192	1,984	0
Loans and advances to customers, including risk provisions	20,344	8,776	5,463	7,592	13,697	-3,467	0
Trading assets	208	0	0	0	208	-146	0
Financial investments	0	75,351	0	1,187	-74,164	-574	-2,374
Investment property	0	1,871	0	533	-1,339	2,582	0
Participations	5,092	6,992	2,964	241	-4,623	648	-1,513
Intangible and tangible fixed assets	270	10,919	0	0	-10,649	-2,485	0
Amounts owed to credit institutions	143	0	0	0	143	616	0
Amounts owed to customers	41	0	0	0	41	-450	0
Debts evidenced by certificates and subordinated liabilities	29,264	2	0	0	29,262	-3,711	0
Trading liabilities	0	349	0	0	-349	478	0
Provisions for pensions, severance payments and other provisions	6,662	2,669	3,799	-402	-208	-2,501	-724
Other assets and liabilities	87,179	31,880	2,565	0	52,734	8,578	0
Other balance sheet items	0	6,537	0	6,589	51	1,359	78
Tax loss carryforwards	19,933	0	949	0	18,984	10,138	0
Deferred taxes before netting	169,137	150,539	15,741	15,740	18,597	13,049	-4,533
Offset between deferred tax asset and deferred tax liabilities	-142,807	-142,807	-9,642	-9,642	0	0	0
Reported deferred taxes	**26,329**	**7,731**	**6,099**	**6,098**	**18,597**	**13,049**	**-4,533**

Euro thousand	2014 Tax assets	2014 Tax liabilities	2013 Tax assets	2013 Tax liabilities	Net deviation 2014 Total	Net deviation 2014 In income statement	Net deviation 2014 In other comprehensive income
Loans and advances to credit institutions	0	0	221	0	-221	-288	0
Loans and advances to customers, including risk provisions	5,463	7,592	2,403	4,487	-45	-2,484	0
Trading assets	0	0	0	0	0	0	0
Financial investments	0	1,187	0	460	-727	-592	-136
Investment property	0	533	0	217	-316	-316	0
Participations	2,964	241	4,250	0	-1,527	-2,328	0
Intangible and tangible fixed assets	0	0	0	0	0	0	0
Amounts owed to credit institutions	0	0	0	0	0	0	0
Amounts owed to customers	0	0	0	0	0	-144	0
Debts evidenced by certificates and subordinated liabilities	0	0	0	0	0	0	0
Trading liabilities	0	0	0	0	0	0	0
Provisions for pensions, severance payments and other provisions	3,799	-402	3,169	191	1,223	657	566
Other assets and liabilities	2,565	0	2,330	84	319	2	0
Other balance sheet items	0	6,589	0	6,120	-469	-496	27
Tax loss carryforwards	949	0	2,029	0	-1,080	-1,957	0
Deferred taxes before netting	15,741	15,740	14,402	11,558	-2,843	-7,945	457
Offset between deferred tax asset and deferred tax liabilities	-9,642	-9,642	-11,558	-11,558	0	0	0
Reported deferred taxes	**6,099**	**6,098**	**2,844**	**0**	**-2,843**	**-7,945**	**457**

The remainder of the net difference in the annual comparison that is not reflected in either the income statement or other comprehensive income is primarily attributable to changes in the scope of consolidation.

Deferred tax assets and deferred tax liabilities can only be offset to the extent that they relate to the same company.

For verification of the usability of tax loss carryforwards and the impairment of other deffered tax a period up to 4 years was taken as a basis according to the Group's tax planning.

In 2015, tax loss carryforwards and deferred tax assets to the amount of euro 0 thousand (tax base) (2014: euro 0 thousand, 2013: euro 0 thousand) were impaired. Furthermore, no deferred taxes were recognised for taxable loss carryforwards and for deferred tax assets to the amount of euro 0 thousand (2014: euro 0 thousand, 2013: euro 0 thousand) as, in the opinion of the management, the realisation of these tax loss carryforwards and deferred tax assets does not appear to be probable over an adequate period of time (up to 4 years). Therefore no deferred taxes were recognised for tax loss carryforwards to the amount of euro 360,324 thousand (2014: euro 14,234 thousand, 2013: euro 0 thousand). Of these taxable loss carryforwards euro 360,324 thousand (2014: euro 14,234 thousand, 2013: euro 0 thousand) are without limitation, and are mainly attributable to VBW itself. The increase in unrecognised losses carried forward in 2015 resulted exclusively from acquisitions.

24) Other assets

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Deferred items	1,211	2,397	791
Other receivables and assets	24,068	10,852	8,629
Positive fair value from derivatives in the investment book	100,186	1,724	1,893
Other assets	**125,466**	**14,973**	**11,313**

The table below shows the fair values of derivatives which are included in the position other assets which are used in hedge accounting in accordance with IFRS.

Euro thousand	31 Dec 2015 Fair value hedge	31 Dec 2014 Fair value hedge	1 Jan 2014 Fair value hedge
Interest rate related transactions	64,241	0	0
Positive fair value from derivatives	**64,241**	**0**	**0**

25) Amounts owed to credit institutions

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Central banks	78,054	0	0
Other credit institutions	3,993,244	75,156	304,542
Amounts owed to credit institutions	**4,071,299**	**75,156**	**304,542**

Amounts owed to credit institutions are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
on demand	3,548,946	19,682	29,514
up to 3 months	267,207	20,792	110,777
up to 1 year	120,608	758	29,011
up to 5 years	94,354	32,733	134,559
more than 5 years	40,184	1,191	680
Amounts owed to credit institutions	**4,071,299**	**75,156**	**304,542**

The information about maturities of future cash flows are shown in note 33) Cash flows based on maturities.

26) Amounts owed to customers

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Measured at amortised cost	3,992,500	3,063,804	3,233,274
Saving deposits	1,622,678	1,471,891	1,463,007
Other deposits	2,369,822	1,591,913	1,770,267
Amounts owed to customers	**3,992,500**	**3,063,804**	**3,233,274**

Amounts owed to customers are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
on demand	2,738,002	1,745,616	1,795,239
up to 3 months	309,702	316,679	373,516
up to 1 year	522,807	438,214	538,205
up to 5 years	380,594	530,258	509,582
more than 5 years	41,395	33,037	16,731
Amounts owed to customers	**3,992,500**	**3,063,804**	**3,233,274**

The information about maturities of future cash flows are shown in note 33) Cash flows based on maturities.

27) Debts evidenced by certificates

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Bonds	798,362	0	0
Medium-term notes	0	0	37,173
Debts evidenced by certificates	**798,362**	**0**	**37,173**

Debts evidenced by certificates are measured at amortised cost.

Breakdown by residual term

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
up to 3 months	3,149	0	1,150
up to 1 year	35,706	0	36,023
up to 5 years	172,579	0	0
more than 5 years	586,929	0	0
Debts evidenced by certificates	**798,362**	**0**	**37,173**

The information about maturities of future cash flows are shown in note 33) Cash flows based on maturities.

28) Trading liabilities

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Negative fair value from derivatives			
Exchange rate related transactions	15,320	0	0
Interest rate related transactions	432,040	0	0
Trading liabilities	**447,361**	**0**	**0**

29) Provisions

Euro thousand	Provisions for risk	Other provisions	Total
As at 1 Jan 2014	518	7,991	8,509
Changes in the scope of consolidation	292	40	332
Reclassification	0	0	0
Unwinding	0	0	0
Utilisation	0	-932	-932
Release	-421	-2,418	-2,839
Addition	667	2,317	2,984
As at 31 Dec 2014	1,057	6,998	8,055
Change in the scope of consolidation	4,709	14,535	19,245
Reclassification	-137	558	421
Unwinding	5	0	5
Utilisation	-2	-1,873	-1,875
Release	-2,320	-880	-3,200
Addition	2,920	3,878	6,799
As at 31 Dec 2015	**6,233**	**23,216**	**29,449**

Provisions for risk include provisions for off-balance transactions particularly for commitments and guarantees. Mainly these provisions are long-term provisions. The maturities of these provisions are included in note 42) Contingent liabilities and credit risks.

The other provisions item provides for liabilities that are likely to lead to an outflow of funds in the future. The restructuring provision fulfils the criteria given under IAS 37.10. and totalled euro 13,082 thousand (2014: euro 0 thousand, 2013: euro 0 thousand) as at the reporting date. As most restructuring measures are to be implemented by the end of 2017 the provision is classified as a long-term provision. Other long-term provisions were recognised for pending litigation amounting to euro 5,478 thousand (2014: euro 6,565 thousand, 2013: euro 5,875 thousand).

Provisions are recorded at the best possible estimate of the expected outflow of resources with economic benefits as at the balance sheet date, taking into account the risks and uncertainties expected in order to fulfil the obligation. Risks and uncertainties have been taken into account in making the estimates.

30) Long-term employee provisions

Euro thousand	Provisions for pensions	Provisions for severance payments	Provisions for anniversary bonuses	Total
Net present value as of 1 Jan 2014	6,074	12,455	1,879	20,408
Changes in the scope of consolidation	365	1,006	156	1,527
Current service costs	0	404	95	500
Interest costs	71	228	35	334
Payments	-611	-809	-33	-1,453
Actuarial gains or losses	765	1,498	-5	2,259
Net present value as of 31 Dec 2014	6,664	14,782	2,128	23,575
Changes in the scope of consolidation	2,092	19,330	2,868	24,289
Current service costs	57	1,175	254	1,486
Interest costs	122	503	67	692
Payments	-643	-1,069	-213	-1,925
Actuarial gains or losses	238	-3,135	-426	-3,324
Net present value as of 31 Dec 2015	**8,530**	**31,586**	**4,677**	**44,793**

Net present value of plan assets

Euro thousand	Provisions for pensions
Net present value of plan assets as of 1 Jan 2014	0
Changes in the scope of consolidation	0
Return on plan assets	0
Contributions to plan assets	0
Payments	0
Actuarial gains or losses	0
Net present value of plan assets as of 31 Dec 2014	0
Changes in the scope of consolidation	723
Return on plan assets	144
Contributions to plan assets	-19
Payments	15
Actuarial gains or losses	0
Net present value of plan assets as of 31 Dec 2015	**862**

The pension provision is netted with the present value of plan assets.

Contribution payments to plan assets are expected in the amount of euro 0 thousand in 2015.

Euro thousand	Provisions for pensions	Provisions for severance payments	Provisions for anniversary bonuses	Total
1 Jan 2014				
Long-term employee prvisions	6,074	12,455	1,879	20,408
Net present value of plan assets	0	0	0	0
Net liability recognised in balance sheet	**6,074**	**12,455**	**1,879**	**20,408**
31 Dec 2014				
Long-term employee prvisions	6,664	14,782	2,128	23,575
Net present value of plan assets	0	0	0	0
Net liability recognised in balance sheet	**6,664**	**14,782**	**2,128**	**23,575**
31 Dec 2015				
Long-term employee prvisions	8,530	31,586	4,677	44,793
Net present value of plan assets	-862	0	0	-862
Net liability recognised in balance sheet	**7,668**	**31,586**	**4,677**	**43,931**

Historical Information

Euro thousand	2015	2014	2013	2012	2011
Net present value of obligation	44,793	23,575	20,408	9,162	8,862
Net present value of plan assets	862	0	0	0	0

Composition of plan assets

	31 Dec 2015		
Euro thousand	Plan assets - quoted	Plan assets - non-quoted	Plan assets - total
Bond issues regional administration bodies	399	4	402
Bond issues credit institutions	76	4	80
Other bond issues	28	17	44
Shares european countries	119	0	119
Shares USA and Japan	65	0	65
Other shares	39	0	39
Derivatives	0	60	60
Real estate	0	19	19
Cash in hand	0	35	35
Total	**725**	**137**	**862**

The column Plan assets - quoted shows all plan assets that have a market price that is quoted on an active market.

Sensitivity analyses

With all other variables held constant, possible changes that could reasonably be expected in one of the significant actuarial assumptions as of the reporting date would have influenced the defined benefit obligation as follows.

Euro thousand	Change in the present value increase of assumption	Change in the present value decrease of assumption
1 Jan 2014		
Discount rate (0.75 % modification)	-848	969
Future wage and salary increases (0.50 % modification)	444	-379
Future pension increase (0.25 % modification)	50	-48
Future mortality (1 year modification)	122	-119
31 Dec 2014		
Discount rate (0.75 % modification)	-1,747	1,984
Future wage and salary increases (0.50 % modification)	1,099	-1,013
Future pension increase (0.25 % modification)	144	-138
Future mortality (1 year modification)	395	-384
31 Dec 2015		
Discount rate (0.75 % modification)	-2,810	4,528
Future wage and salary increases (0.50 % modification)	2,936	-1,528
Future pension increase (0.25 % modification)	831	414
Future mortality (1 year modification)	479	-465

As of 31 December 2015, the weighted average term of defined-benefit obligations for pensions was 13.6 years (2014: 10.6 years, 2013: 11.0 years) and for severance payment 11.8 years (2014: 12.4 years, 2013: 14.0 years).

Although the analysis does not take into account the full distribution of cash flows expected based on the plan, it does provide an approximate value for the sensitivity of the assumptions presented.

31) Other liabilities

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Deferred items	248	193	4
Other liabilities	41,477	7,882	11,864
Negative fair value from derivatives in the investment book	171,074	10,923	7,376
Other liabilities	**212,799**	**18,998**	**19,244**

The table below shows the fair values of derivatives used in hedge accounting in accordance with IFRS.

Euro thousand	31 Dec 2015 Fair value hedge	31 Dec 2014 Fair value hedge	1 Jan 2014 Fair value hedge
Exchange rate related transactions	31,355	0	0
Interest rate related transactions	25,543	0	0
Negative fair value from derivatives	**56,897**	**0**	**0**

32) Subordinated liabilities

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Subordinated liabilities	10,443	10,350	13,659
Supplementary capital	7,231	7,239	7,076
Subordinated liabilities	**17,674**	**17,589**	**20,735**

Breakdown by residual term

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
up to 1 year	0	0	3,979
up to 5 years	13,265	13,277	12,318
more than 5 years	4,409	4,312	4,438
Subordinated liabilities	**17,674**	**17,589**	**20,735**

33) Cash flows based on maturities

The table below presents the future cash flows from liabilities classified according to their maturity

Euro thousand	Amounts owed to credit institutions	Amounts owed to customers	Debts evidenced by certificates	Subordinated liabilities	Derivatives trading book	Derivatives investment book
31 Dec 2015						
Carrying amount	4,071,299	3,992,500	798,362	17,674	447,361	171,074
Undiscounted cash flows	**4,131,499**	**4,032,087**	**1,992,814**	**19,983**	**449,141**	**141,645**
up to 3 months	3,818,131	3,063,483	3,162	0	0	0
up to 1 year	124,244	536,296	65,857	494	2,708	1,202
up to 5 years	107,676	390,580	648,965	14,541	74,737	125,489
more than 5 years	81,448	41,728	1,274,829	4,948	371,696	14,954

Cash flows for contingent liabilities are displayed in note 42) Contingent liabilities and credit risks. In the column derivatives trading book only derivative instruments are included.

As the liability structure has changed significantly following the transfer of the CO business unit in the 2015 business year and is therefore not comparable with the 2014 and 2013 business years, and the time and effort required to produce retrospective comparatives would be disproportionate, no comparative figures have been provided.

34) Equity

As at 31 December 2015, the subscribed capital of VBW before deduction of treasury stocks amounted to euro 107,477 thousand. It consists of registered shares as follows:

	Euro thousand
1,146,424 Non-par value shares	107,477

The spin-off for transfer of the CO business unit retaining existing shareholding ratios by way of universal succession was resolved by the Annual General Meeting on 29 May 2015. The same Annual General Meeting resolved a capital increase of 23,400 shares with a value of euro 2,194 thousand in order to carry out the demerger. The spin-off for transfer was entered in the Commercial Register on 4 July 2015.

A further capital increase of euro 35,441 thousand was also resolved in the Annual General Meeting of 29 May 2015.

Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung transferred its company – the Ost banking operations (VB Ost) – as a contribution in kind for 118,459 new shares with a value of euro 11,106 thousand through a transfer and contribution in kind agreement of 7 August 2015. This capital increase was resolved by the Annual General Meeting of 7 August 2015. The transfer was entered in the Commercial Register on 3 November 2015.

Volksbank Obersdorf - Wolkersdorf - Deutsch-Wagram eGen. also transferred its company – the Obersdorf - Wolkersdorf - Deutsch-Wagram banking operations (VB OWD) – for 24,350 shares with a value of euro 2,283 thousand through a transfer and contribution in kind agreement of 7 August 2015. This capital increase was resolved by the Annual General Meeting of 7 August 2015. The transfer was entered in the Commercial Register on 3 November 2015.

Changes in subscribed capital

Number of units	Shares	Participation certificates
Shares and participation certificates outstanding as of 1 Jan 2014	583,893	17,744
Contribution Gärtnerbank	18,287	0
Shares and participation certificates outstanding as of 31 Dec 2014	**602,180**	**17,744**
Capital Increase	378,035	0
Contribution CO business unit	23,400	-11,000
Contribution VB Ost	118,459	260
Contribution VB OWD	24,350	0
Shares and participation certificates outstanding as of 31 Dec 2015	**1,146,424**	**7,004**

7,004 (2014: 17,744; 2013: 17,744) of the participation certificates outstanding and of the total participation certificates have a nominal value of euro 1 thousand per participation certificate. The transfer of the CO business unit decreased the participation capital held in VBW by VBAG until the transfer in the amount of euro 11,000 thousand.

Dividend payment including participation capital

Euro thousand	2015	2014
Dividend voting equity	6,515	6,320
Dividend non-voting equity	273	286
Total	**6,788**	**6,606**

A euro 100 thousand distribution on non-voting capital is planned for the 2016 business year.

Return on capital employed

The return on capital employed for the business year was 0.29 % (2014: 0.86 %) and was calculated as the ratio of the result after taxes to total assets as at the reporting date.

Non-controlling interest

Company name	Minority interest 2015	Subgroup
VB Services für Banken Ges.m.b.H.; Wien	1.11 %	Other companies
Verwaltungsgenossenschaft der IMMO-BANK eG; Wien	11.15 %	Other companies
VOBA Vermietungs- und Verpachtungsges.m.b.H.; Baden	1.00 %	Other companies
VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H.; Wien	0.005 %	Other companies

The following table presents the financial information for the companies in aggregated form as the latter are immaterial.

Additional information non-controlling interest

Euro thousand	Other companies 2015
Assets	
Liquid funds	0
Loans and advances to credit institutions (gross)	20,822
Loans and advances to customers (gross)	15
Risk provisions (-)	0
Financial investments	680
Other assets	15,492
Total assets	37,010
Liabilities and Equity	
Amounts owed to credit institutions	4
Amounts owed to customers	7
Debts evidenced by certificates	0
Subordinated liabilities	0
Other liabilities	14,382
Equity	22,617
Total liabilities	37,010
Statement of comprehensive income	
Interest and similar income	540
Interest and similar expense	0
Net interest income	540
Risk provisions	-1
Result before taxes	1,907
Income taxes	-54
Result after taxes	1,853
Other comprehensive income	3
Comprehensive income	1,856

35) Own funds

The own funds of the VBW credit institution group which were calculated pursuant to the Capital Requirement Regulations (CRR) can be broken down as follows:

Euro thousand	31 Dec 2015
Paid-up capital instruments (less own CET1 instruments)	236,432
Reserves	163,988
Transitional adjustments due to grandfathered CET1 Capital instruments	4,903
Minority interest	1,591
Deduction and adjustments	-60,116
Transitional adjustments to CET1 Capital	12,448
Common Equity Tier 1 Capital (CET1)	359,246
AT 1 capital and qualifying AT 1 instruments issued by subsidiaries	0
Deduction and adjustments	21,567
Transitional adjustments to AT1 Capital	-21,567
Additional Tier 1 Capital (AT1)	0
Tier 1 Capital	359,246
T2 capital and qualifying T2 instruments issued by subsidiaries	12,109
Deduction and adjustments	-1,700
Transitional adjustments to T2 Capital	0
Tier 2 Capital (T2)	10,409
Own Funds	**369,655**

Common equity Tier 1 capital ratio (Tier I) [1)]	12.47 %
Tier 1 capital ratio [1)]	12.47 %
Equity ratio [1)]	12.83 %

[1)] in relation to total risk exposure amount

The risk-weighted assessment amounts as defined in CRR can be broken down as follows:

Euro thousand	31 Dec 2015
Risk weighted exposure amount - credit risk	2,025,354
Total risk exposure amount for position, foreign exchange and commodities risks	188,413
Total risk exposure amount for operational risk	576,920
Total risk for credit valuation adjustment (cva)	90,030
Total risk exposure amount	**2,880,717**

As the statutory obligation for the VBW credit institution group to calculate its own funds only arose with the transfer of the CO business unit on 4 July 2015, no comparative figures have been provided.

Group issues which are included in Tier I or Tier II

Name	Identification IFRS	Redemption date	Conditions	Nominal value in euro thousand
CET1				
Participation certificate 2006	equity	perpetual	Average 3m Euribor + 130 bp	260
Participation certificate 2006	equity	perpetual	Average 3m Euribor + 130 bp	6,744
Tier II issues				
Subordinated 02/17	subordinated liabilities	27 Feb 2017	12m Euribor + 50 bp, max. 6.00 % p.a.	4,938
Subordinated 08/18	subordinated liabilities	25 Aug 2018	3m Euribor + 25 bp, max. 6.00 % p.a.	4,905
Subordinated 12/22	subordinated liabilities	01 Dec 2022	3.50 % p. a.	600
Supplementary capital 12/22	subordinated liabilities	01 Dec 2022	12m Euribor + 62.5 bp, max. 7.00 % p.a., at least 4.00 % p.a.	3,809
Supplementary capital 06/18	subordinated liabilities	16 Jun 2018	3m Euribor + 50 bp, not negative	2,630
Supplementary capital 07/19	subordinated liabilities	16 Jul 2019	Average 3m Euribor + 35 bp, not negative	792

In accordance with IFRS reporting, the scope of consolidation differs from the scope of consolidation under CRR as the IFRS provides for the inclusion of other entities not belonging to the financial sector. According to CRR, companies in the financial sector that are under the control of the parent or where the Group helds a majority of shares either direct or indirect, are fully consolidated. The carrying amount of institutions, financial institutions and subsidiaries providing bankingrelated auxiliary services that are controlled by the parent but that are not significant for the presentation of the group of credit institutions according to section 19 (1) of CRR is deducted from own funds. Subsidiaries which are managed jointly with non-Group companies are proportionately consolidated. Investments in companies in the financial sector with a share of between 10% and 50% that are not jointly managed are also deducted from own funds unless they are voluntarily consolidated on a pro rata basis. Investments in companies in the financial sector of less than 10% are deducted from own funds considering the eligibility according to section 46 CRR. All other participating interests are included in the assessment base at their carrying amounts.

All credit institutions under control or where the Group holds a majority of shares either direct or indirect are considered in the scope of consolidation according to CRR.

In 2015, no substantial, practical or legal obstacles existed which would have prevented the transfer of equity or the repayment of liabilities between the parent institution and institutions subordinated to the former.

36) Financial assets and liabilities

The table below shows financial assets and liabilities in accordance with their individual categories and their fair values.

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount - total	Fair value
31 Dec 2015							
Liquid funds	0	0	0	0	1,280,269	1,280,269	1,280,269
Loans and advances to credit institutions	0	0	0	0	2,794,241	2,794,241	
Loans credit institutions less individual impairments	0	0	0	0	2,794,241	2,794,241	2,794,594
Loans and advances to customers	0	0	0	0	3,722,212	3,722,212	
Individual impairment customers	0	0	0	0	-61,954	-61,954	
Loans customers less individual impairments	0	0	0	0	3,660,259	3,660,259	3,515,807
Trading assets	172,286	0	0	0	0	172,286	172,286
Financial investments	0	0	79,518	1,637,976	414	1,717,908	1,718,505
Participations	0	0	0	31,691	0	31,691	31,691
Derivatives - investment book	100,186	0	0	0	0	100,186	100,186
Financial assets total	**272,472**	**0**	**79,518**	**1,669,667**	**7,735,183**	**9,756,840**	**9,613,338**
Amounts owed to credit institutions	0	0	0	0	4,071,299	4,071,299	4,077,102
Amounts owed to customers	0	0	0	0	3,992,500	3,992,500	3,981,281
Debts evidenced by certificates	0	0	0	0	798,362	798,362	805,277
Trading liabilities	447,361	0	0	0	0	447,361	447,361
Derivatives - investment book	171,074	0	0	0	0	171,074	171,074
Subordinated liabilities	0	0	0	0	17,674	17,674	14,284
Financial liabilities total	**618,435**	**0**	**0**	**0**	**8,879,835**	**9,498,269**	**9,496,378**

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount - total	Fair value
31 Dec 2014							
Liquid funds	0	0	0	0	31,057	31,057	31,057
Loans and advances to credit institutions	0	0	0	0	780,424	780,424	
Loans credit institutions less individual impairments	0	0	0	0	780,424	780,424	780,373
Loans and advances to customers	0	0	0	0	2,454,254	2,454,254	
Individual impairment customers	0	0	0	0	-31,114	-31,114	
Loans customers less individual impairments	0	0	0	0	2,423,140	2,423,140	2,431,887
Trading assets	0	0	0	0	0	0	0
Financial investments	0	0	0	85,711	0	85,711	85,711
Participations	0	0	0	20,455	0	20,455	20,455
Derivatives - investment book	1,724	0	0	0	0	1,724	1,724
Financial assets total	**1,724**	**0**	**0**	**106,166**	**3,234,621**	**3,342,512**	**3,351,208**
Amounts owed to credit institutions	0	0	0	0	75,156	75,156	75,076
Amounts owed to customers	0	0	0	0	3,063,804	3,063,804	3,063,611
Debts evidenced by certificates	0	0	0	0	0	0	0
Trading liabilities	0	0	0	0	0	0	0
Derivatives - investment book	10,923	0	0	0	0	10,923	10,923
Subordinated liabilities	0	0	0	0	17,589	17,589	18,465
Financial liabilities total	**10,923**	**0**	**0**	**0**	**3,156,549**	**3,167,472**	**3,168,075**

Euro thousand	Held for trading	At fair value through profit or loss	Held to maturity	Available for sale	Amortised cost	Carrying amount - total	Fair value
1 Jan 2014							
Liquid funds	0	0	0	0	32,432	32,432	
Loans and advances to credit institutions	0	0	0	0	1,176,519	1,176,519	
Loans credit institutions less individual impairments	0	0	0	0	1,176,519	1,176,519	
Loans and advances to customers	0	0	0	0	2,335,345	2,335,345	
Individual impairment customers	0	0	0	0	-80,142	-80,142	
Loans customers less individual impair-ments	0	0	0	0	2,255,204	2,255,204	
Trading assets	0	0	0	0	0	0	
Financial investments	0	0	0	281,337	0	281,337	
Participations	0	0	0	19,088	0	19,088	
Derivatives - investment book	1,893	0	0	0	0	1,893	
Financial assets total	**1,893**	**0**	**0**	**300,424**	**3,464,154**	**3,766,472**	
Amounts owed to credit institutions	0	0	0	0	304,542	304,542	
Amounts owed to customers	0	0	0	0	3,233,274	3,233,274	
Debts evidenced by certificates	0	0	0	0	37,173	37,173	
Trading liabilities	0	0	0	0	0	0	
Derivatives - investment book	7,376	0	0	0	0	7,376	
Subordinated liabilities	0	0	0	0	20,735	20,735	
Financial liabilities total	**7,376**	**0**	**0**	**0**	**3,595,724**	**3,603,100**	

As fair values for financial assets and liabilities could not be reliably calculated in 2013, no figures have been provided.

Financial investments contain securities classified as held to maturity and loans & receivables with a carrying amount of euro 0 thousand (2014: euro 0 thousand, 2013: euro 0 thousand), a total of euro 0 thousand (2014: euro 0 thousand, 2013: euro 0 thousand) above their fair value, as there is no objective evidence of impairment.

Financial investments available for sale in the amount of euro 31,733 thousand (2014: euro 0 thousand, 2013: euro 0 thousand) and participations in the amount of euro 8,832 thousand (2014: euro 20,455 thousand, 2013: euro 19,088 thousand) are measured at cost as their fair value cannot be reliably determined. Instruments measured at cost with a carrying amount of euro 290 thousand (2014: euro 1 thousand, 2013: euro 0 thousand) were sold in the business year. A result of euro 7 thousand (2014: euro 0 thousand, 2013 euro 0 thousand) was realised. The fair value cannot reliably be determined as there is no active market for these securities and it is not possible to make a reasonable assessment of the probabilities of different fair value estimates. This mainly involves assets that were issued in the sector.

Some financial investments and liabilities are assigned to categories in which they are not carried at fair value through profit or loss. However, such financial instruments are underlying instruments for fair value hedges of interest rate and foreign exchange risk, meaning that these instruments are measured at fair value with respect to the hedged interest rate and foreign exchange risk.

Carrying amounts of underlyings of fair value hedges

Euro thousand	Interest rate risk: Available for sale	Interest rate risk: Amortised costs	Foreign currency risk: Available for sale	Foreign currency risk: Amortised costs
31 Dec 2015				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	27,112	0	80,199
Financial investments	1,177,846	0	45,360	0
Financial assets	**1,177,846**	**27,112**	**45,360**	**80,199**
Amounts owed to credit institutions	0	17,386	0	0
Amounts owed to customers	0	0	0	0
Debts evidenced by certificates	0	661,148	0	0
Subordinated liabilities	0	0	0	0
Financial liabilities	**0**	**678,534**	**0**	**0**

The table below shows all assets and liabilities which are measured at fair value according to their fair value hierarchy.

Euro thousand	Level 1	Level 2	Level 3	Total
31 Dec 2015				
Trading assets	0	172,286	0	172,286
Financial investments	1,508,739	97,503	0	1,606,242
available for sale	1,508,739	97,503	0	1,606,242
Participations	0	17,331	5,528	22,859
Derivatives - investment book	0	100,186	0	100,186
Total	**1,508,739**	**387,306**	**5,528**	**1,901,573**
Trading liabilities	0	447,361	0	447,361
Derivatives - investment book	0	171,074	0	171,074
Total	**0**	**618,435**	**0**	**618,435**
31 Dec 2014				
Financial investments	69,321	16,390	0	85,711
available for sale	69,321	16,390	0	85,711
Derivatives - investment book	0	1,724	0	1,724
Total	**69,321**	**18,115**	**0**	**87,436**
Derivatives - investment book	0	10,923	0	10,923
Total	**0**	**10,923**	**0**	**10,923**
1 Jan 2014				
Financial investments	197,624	83,712	0	281,337
available for sale	197,624	83,712	0	281,337
Derivatives - investment book	0	1,893	0	1,893
Total	**197,624**	**85,605**	**0**	**283,229**
Derivatives - investment book	0	7,376	0	7,376
Total	**0**	**7,376**	**0**	**7,376**

Available for sale financial investments totalling euro 31,733 thousand (2014: euro 0 thousand, 2013: euro 0 thousand) and participations totalling euro 8,832 thousand (2014: euro 20,455 thousand, 2013: euro 19,088 thousand) are measured at amortised cost because their fair value cannot be reliably determined.

Please refer to note 3)s)Participations for a description of the valuation procedures used for participations.

When determining market values for level 2 financial investments, VBW only uses prices based on observable market data. If systems deliver price information for inactive traded positions, this is checked based on secondary market data such as transactions in comparable products performed on active markets. The system prices are then adjusted accordingly if necessary. The main level 2 input factors are interest rates including associated interest rate volatilities, foreign exchange swap points, exchange rates, share prices, index rates, including related volatilities and credit spreads obtained from brokers on a daily basis. Market valuation adjustments are made through linear interpolations of the directly obtained broker data. The input factors used undergo daily quality assurance and are archived in the valuation system.

In 2015, financial instruments with a carrying amount of euro 17 thousand (2014: euro 0 thousand, 2013: euro 0 thousand), which were still measured at Level 2 market value as at 31 December 2014, were reclassified as Level 1 financial instruments due to an increase in trading activity. On the other hand, Level 1 financial instruments in the amount of euro 15,477 thousand (2014: euro 0 thousand, 2013: euro 0 thousand) were reclassified into Level 2 due to a decrease in market trading activity.

Development of Level 3 fair values financial assets

Euro thousand	**Participations**
As at 1 Jan 2014	0
As at 31 Dec 2014	0
Changes in the scope of consolidation	6,636
Currency translation	0
Reallocation in Level 3	0
Additions	0
Disposals	0
Valuation	
through profit and loss	0
through other comprehensive income	-1,108
Reclassification	0
As at 31 Dec 2015	**5,528**

The valuations shown in the table above are included in the item income from financial investments (income statement) or available for sale reserve (other comprehensive íncome). The valuations recorded in the income statement include holdings of financial assets to the amount of euro 0 thousand (2014: euro 0 thousand, 2013: euro 0 thousand) at the reporting date.

In terms of sensitivity analyses for level 3 market values under participations, factors that increase or decrease value are determined in alternative valuation scenarios by varying income estimates and of 20 %. In the event of a increase in the yield estimate, market value changes by euro 979 thousand, while a decrease of the yield estimate leads to a change of euro -979 thousand.

The development of sensitivity analyses for the fair values of investment property (IAS 40) is described in note 18) Investment property.

For financial instruments not measured at fair value, the fair value is only calculated for disclosure purposes in the notes and has no influence on the consolidated statement of financial position or the consolidated statement of comprehensive income. The following table assigns all financial assets and liabilities not measured at fair value to various fair value hierarchies.

Euro thousand	Level 1	Level 2	Level 3	Fair value total	Carrying amount 31 Dec 2015
31 Dec 2015					
Liquid Funds	0	1,280,269	0	1,280,269	1,280,269
Loans and advances to credit institutions	0	0	0	0	2,794,241
Loans to credit institutions less individual impairments	0	0	2,794,594	2,794,594	2,794,241
Loans and advances to customers (gross)	0	0	0	0	3,722,212
Individual impairment to customers	0	0	0	0	-61,954
Loans to customers less individual impairments	0	0	3,515,807	3,515,807	3,660,259
Debt investments loans & receivables	0	414	0	414	414
Debt investments held to maturity	80,115	0	0	80,115	79,518
Financial investments	80,115	414	0	80,529	79,932
Financial assets total	**80,115**	**1,280,683**	**6,310,401**	**7,671,199**	**7,814,701**
Amounts owed to credit institutions	0	0	4,077,102	4,077,102	4,071,299
Amounts owed to customers	0	0	3,981,281	3,981,281	3,992,500
Debts evidenced by certificates	0	0	805,277	805,277	798,362
Subordinated liabilities	0	0	14,284	14,284	17,674
Financial liabilities total	**0**	**0**	**8,877,944**	**8,877,944**	**8,879,835**

Euro thousand	Level 1	Level 2	Level 3	Fair value total	Carrying amount 31 Dec 2014
31 Dec 2014					
Liquid Funds	0	31,057	0	31,057	31,057
Loans and advances to credit institutions	0	0	0	0	780,424
Loans to credit institutions less individual impairments	0	0	780,373	780,373	780,424
Loans and advances to customers (gross)	0	0	0	0	2,454,254
Individual impairment to customers	0	0	0	0	-31,114
Loans to customers less individual impairments	0	0	2,431,887	2,431,887	2,423,140
Debt investments loans & receivables	0	0	0	0	0
Debt investments held to maturity	0	0	0	0	0
Financial investments	0	0	0	0	0
Financial assets total	**0**	**31,057**	**3,212,260**	**3,243,318**	**3,234,621**
Amounts owed to credit institutions	0	0	75,076	75,076	75,156
Amounts owed to customers	0	0	3,063,611	3,063,611	3,063,804
Debts evidenced by certificates	0	0	0	0	0
Subordinated liabilities	0	0	18,465	18,465	17,589
Financial liabilities total	**0**	**0**	**3,157,153**	**3,157,153**	**3,156,549**

As fair values for financial assets and liabilities could not be reliably calculated in 2013, no figures have been provided.

For financial instruments that are largely short-term in nature, the carrying amount is an adequate estimate of fair value.

For long-term financial instruments, fair value is calculated by discounting contractual cash flows. In the case of assets, interest rates are used that could have been obtained for assets with similar residual durations and default risks (especially estimated defaults for lending receivables). For liabilities, the interest rates used are those with which corresponding liabilities with similar residual durations could have been assumed or issued as at the reporting date.

Fair value hierarchy

Financial instruments recognised at fair value are assigned to the three IFRS fair value hierarchy categories.

Level 1 – Financial instruments measured at quoted prices in active markets, whose fair value can be derived directly from prices on active, liquid markets and where the financial instrument observed on the market is representative of the financial instrument owned by the Group that requires measurement.

Level 2 – Financial instruments measured using procedures based on observable market data, whose fair value can be determined using similar financial instruments traded on active markets or using procedures whose inputs are observable.

Level 3 – Financial instruments measured using procedures based on unobservable parameters, whose fair value cannot be determined using data observable on the market. Financial instruments in this category have a value component that is not observable and which has a significant influence on fair value.

37) Derivatives

Derivative financial instruments

2015 Euro thousand	Face value up to 1 year	 1 to 5 years	 more than 5 years	 Total	Fair value 31 Dec 2015
Interest related transactions	523,623	1,424,551	2,994,639	4,942,813	-228,053
Caps & Floors	355,953	431,400	592,735	1,380,088	-644
Interest rate swaps	157,669	932,251	2,381,904	3,471,825	-222,909
Swaptions	10,000	60,900	20,000	90,900	-4,500
Currency related transactions	1,372,766	1,727,545	236,599	3,336,911	-128,879
Cross currency swaps	367,397	1,720,046	236,599	2,324,042	-128,879
FX Swaps	965,422	5,571	0	970,992	0
Forward exchange transactions	39,947	1,929	0	41,876	0
Credit related transactions	20,000	9,185	0	29,185	48
Other transactions	18,463	19,607	472,412	510,483	3,443
Options	18,463	19,607	472,412	510,483	3,443
Total	**1,934,852**	**3,180,889**	**3,703,651**	**8,819,391**	**-353,442**

2014 Euro thousand	Face value up to 1 year	 1 to 5 years	 more than 5 years	 Total	Fair value 31 Dec 2014
Interest related transactions	5,329	101,977	110,053	217,360	-9,076
Caps & Floors	329	10,642	30,576	41,548	-487
Interest rate swaps	5,000	91,335	79,477	175,812	-8,589
Swaptions	0	0	0	0	0
Currency related transactions	227,752	0	0	227,752	-123
Cross currency swaps	0	0	0	0	0
FX Swaps	225,192	0	0	225,192	-123
Forward exchange transactions	2,561	0	0	2,561	0
Credit related transactions	0	0	0	0	0
Other transactions	0	0	0	0	0
Options	0	0	0	0	0
Total	**233,081**	**101,977**	**110,053**	**445,112**	**-9,198**

2013 Euro thousand	Face value up to 1 year	 1 to 5 years	 more than 5 years	 Total	Fair value 1 Jan 2014
Interest related transactions	29,746	99,410	127,067	256,223	-5,682
Caps & Floors	9,087	7,436	37,634	54,156	141
Interest rate swaps	20,659	91,974	89,434	202,067	-5,823
Swaptions	0	0	0	0	0
Currency related transactions	50,592	0	0	50,592	85
Cross currency swaps	0	0	0	0	0
Foreign exchange options	0	0	0	0	0
FX Swaps	50,088	0	0	50,088	85
Forward exchange transactions	504	0	0	504	0
Credit related transactions	21,000	0	0	21,000	0
Other transactions	0	0	0	0	0
Options	0	0	0	0	0
Total	**101,338**	**99,410**	**127,067**	**327,815**	**-5,597**

All derivative financial instruments – except for futures – are OTC products.

38) Assets and liabilities denominated in foreign currencies

On the balance sheet date, assets denominated in foreign currencies totalled euro 3,926,200 thousand (2014: euro 270,258 thousand, 2013: euro 335,164 thousand), whereas liabilities denominated in foreign currencies stood at euro 3,988,819 thousand (2014: euro 63,193 thousand, 2013: euro 294,430 thousand).

39) Trust transactions

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Assets from trust transactions			
Loans and advances to customers	108,777	361	415
Liabilities arising from trust transactions			
Amounts owed to customers	108,777	361	415

40) Subordinated assets

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Loans and advances to customers	791	0	0

41) Assets pledged as collateral for the Group's liabilities

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Assets pledged as collateral			
Loans and advances to credit institutions	12,380	13,280	0
Loans and advances to customers	78,479	101,743	96,259
Financial investments	2,500	0	0
Liabilities for which assets have been pleged as collateral			
Amounts owed to credit institutions	93,359	115,023	96,259

In the context of corporate funding via Oesterreichische Kontrollbank (OeKB), loans and advances to customers in the amount of euro 78 million have been provided as collateral. These loans and advances are guaranteed by means of Austrian government default guarantees, private insurance policies and draft guarantees. OeKB may not repledge or sell these loans and advances to customers if the Group performs in accordance with the contract.

VBW provided collateral of euro 12 million (2014: euro 13 million) for IMMO-Bank loans to subsidiaries included in the consolidated financial statements.

Loans and advances to customers of euro 102 million were provided as collateral for ECB refinancing of VBAG in the 2014 business year (2013: euro 96 million).

The remaining loans and advances to customers have been provided as collateral in the context of funding provided by KfW Bankengruppe. This is subject to the same terms as for OeKB.

42) Contingent liabilities and credit risks

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Contingent liabilities			
Acceptances and endorsement liabilities on negotiated bills	0	0	0
Liabilities arising from guarantees	418,216	112,882	135,010
Liabilities arising from assets pledged as collateral	0	115,023	0
Others (amount guaranteed)	60,147	0	0
Commitments			
Obligations from pension business	0	0	0
Unutilised loan commitments	7,804,174	325,302	330,196
Others	0	0	0

The table below presents future cash flows of contingent liabilities classified according to their contracted maturity, concerning guarantees also according to their expected maturity.

Euro thousand	Loan commitments	Guarantees as contracted	Guarantees expected
31 Dec 2015			
Carrying amount	7,804,174	418,216	0
Undiscounted cash flows	**8,159,674**	**451,047**	**6,233**
up to 3 months	2,447,902	451,047	623
up to 1 year	5,711,772	0	2,493
up to 5 years	0	0	3,116

As the structure of contingent liabilities and credit risks has changed significantly following the transfer of the CO business unit in the 2015 business year and is therefore not comparable with the 2014 and 2013 business years, and the time and effort required to produce retrospective comparatives would be disproportionate, no comparative figures have been provided.

Loan commitments are reported according to the end of their contracted maturity. Contracted guarantees are reported when the utilisation is first possible, while column guarantees expected shows management estimates of the expected utilisation over the period.

If the management estimates a cash out flow for financial guarantees, a provision was built for off-balance risks to the amount of the probable cash out flow under consideration of possible available collaterals. Therefore the provision amounts to euro 6,233 thousand.

43) Repurchase transactions and other transferred assets

As at 31 December 2015, 31 December 2014, as well as at 31 December 2013 VBW as pledgor had none buy-back commitments under genuine repurchase agreements.

The balance sheet does not contain any further financial assets for which material risks or rewards were retained.

44) Related party disclosures

Euro thousand	Unconsolidated affiliates	Companies in which the Group has a participating interest	Associated companies	Companies which exercise a significant influence on the parent as shareholders
31 Dec 2015				
Loans and advances to credit institutions	0	0	300,610	0
Loans and advances to customers	440	9,863	0	0
Debt securities	0	0	6,775	765,655
Amounts owed to credit institutions	0	109,055	333,452	0
Amounts owed to customers	2,387	13,957	0	0
Transactions	4,054	188,229	450,105	0
31 Dec 2014				
Loans and advances to customers	2,045	1	0	0
Debt securities	0	0	0	3,467
Amounts owed to customers	4,752	205	0	0
Transactions	3,815	41	0	0
1 Jan 2014				
Loans and advances to customers	30	0	0	0
Debt securities	0	0	0	5,555
Amounts owed to customers	2,363	0	0	0
Transactions	1,823	0	0	0

Total related party transactions are measured as the average receivables and liabilities from/to credit institutions and customers. The calculation is based on the figures at the quarterly reporting dates during the period under review, which are summed together irrespective of whether plus or minus figures.

Transfer prices between the VBW Group and its associated companies are geared to usual market conditions. As in previous year, VBW Group does not have any other liabilities for unconsolidated affiliates or associated companies on balance sheet date.

The shareholder Republic of Austria exercises a significant influence on the VBW Group.

Loans and advances granted to members of the supervisory board during the business year

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Outstanding loans and advances	5	43	331
Redemptions	27	52	41
Interest payments	0	0	0

At the VBW Group, the board members of the parent company are classified as management members in key positions. The presentation of the remuneration of key personel is included in note 8) General administrative expenses. No further contracts were closed with members in key positions.

As at 31 December 2015, loans and advances to credit institutions/customers contained transactions with the Volksbank-Sector amounting to euro 2,307,310 thousand (2014: euro 0 thousand, 2013: euro 0 thousand) and amounts owed to credit institutions/customers included transactions with the Volksbank-Sector amounting to euro 3,742,698 thousand (2014: euro 0 thousand, 2013: euro 0 thousand).

45) Disclosures on mortgage banking in accordance with the Austrian Mortgage Bank Act, including covered bonds

Euro thousand	Covering loans	Coverage requirements debts evidenced by certificates	Surplus cover
31 Dec 2015			
Covered bonds	1,708,421	1,466,250	242,171
Total	**1,708,421**	**1,466,250**	**242,171**
31 Dec 2014			
Covered bonds	0	0	0
Total	**0**	**0**	**0**
1 Jan 2014			
Covered bonds	0	0	0
Total	**0**	**0**	**0**

The required coverage for debts evidenced by certificates includes surplus cover of 2% calculated on the basis of the face value of all outstanding mortgage bonds and all outstanding covered bonds.

46) Branches

	31 Dec 2015	31 Dec 2014
Domestic	64	57
Abroad	0	0
Total Number of branches	**64**	**57**

47) Events after the balance sheet date

The General Meeting of 17 March 2016 resolved to amend the 2014 banking association agreements. Alongside amendments to the 2014 banking association agreement and collaboration agreement, one of the measures implemented was to set up a trust fund (Leistungsfonds) at the central organisation. Hence the central organisation now bears sole responsibility for restructuring within the association in future, and the common fund (Gemeinschaftsfonds) has been replaced by the Leistungsfonds fund.

The positive outlook for the long-term issuer rating of the Association of Volksbanks reflects the progress in consolidating the association members and the high probability that the rating will be upgraded by as many as two categories as soon as the risk of implementing the consolidation has decreased sufficiently. On the other hand, there is a risk that the viability and long-term issuer rating will be downgraded if the necessary cost reductions are not achieved from the restructuring, if there is a significant downturn in the Austrian economy or if the Association of Volksbanks is unable to repay the Republic of Austria in line with the repayment plan. However, these risks are not currently expected to materialise.

The new branch concept was authorised at the Supervisory Board meeting of 31 March 2016.

48) Segment reporting

Segment reporting has been relaunched in the 2015 business year. The VBW Group now has two business segments retail and central organisation (CO) which correspond to strategic business fields. These segments fulfil a variety of tasks and are controlled in varying ways in accordance with the internal management and reporting structure. In this process, a business unit is organised as a profit centre, which means that all results are allocated to the business unit, irrespective of whether these results are generated in the business unit itself or by the parent company.

A report is submitted to the Managing Board and management for each business segment. These reports are based on VBWs' and the subsidiaries' separate financial statements. Intrest results of the profit centre are calculated on the principles of the market interest method. Settlement prices for assessments and refinancing between entities within the Group are in line with standard market conditions. Expenses are divided between business segments based on the proportional service performance. The cost of Group projects is also allocated to business segments.

Retail

The retail segment comprises the standard banking services provided to private customers, SMEs and commercial clients in terms of investment and financing, advisory and investment services for securities, payment services, brokerage of insurance products, and foreign exchange business.

Services are typically performed through the branches as well as through internet and direct sales. Accordingly, this segment includes the results for the branches and the commercial clients profit centre.

CO

The CO segment comprises the top institution activities as well as the central organisation duties for the entire Austrian Association of Volksbanks. Treasury is primarily responsible for obtaining liquidity on the money and capital markets and for balancing liquidity within the Association of Volksbanks. Liquidity management in connection with regulatory requirements through management of the investment book in the areas of liquidity and interest rate risk is another key component of VBW's tasks as top institution and CO.

The syndicate financing division including large-scale house-building is another profit centre. VBW provides its services as a syndicate partner for large loan commitments held by commercial clients of the Volksbanks. The results of VB Services für Banken GmbH, which provides services to the Volksbanks for payment processing and settling securities transactions, are also included here.

Finally, all other activities are reported which are undertaken in managing the Association of Volksbanks and which VBW performs as central organisation in accordance with the CRR and BWG.

Consolidation

Consolidation matters are reported separately from other activities in the Consolidation column. These items contain amounts arising from consolidation processes that are not performed within a segment.

As the CO function was only assumed following the transfer on 4 July 2015, the comparative figures are all allocated to the retail segment.

a) Segment reporting by business segments

Euro thousand	Retail	CO	Consolidation	Total
Net interest income				
1-12/2015	**60,423**	**11,111**	**-1,472**	**70,062**
1-12/2014	58,667	0	0	58,667
Risk provisions				
1-12/2015	**14,942**	**-1,183**	**0**	**13,758**
1-12/2014	11,287	0	0	11,287
Net fee and comission income				
1-12/2015	**32,160**	**-2,148**	**48**	**30,060**
1-12/2014	27,535	0	0	27,535
Net trading income				
1-12/2015	**922**	**6,258**	**-100**	**7,080**
1-12/2014	0	0	0	0
General administrative expenses				
1-12/2015	**-82,521**	**-57,643**	**18,004**	**-122,159**
1-12/2014	-69,571	0	0	-69,571
Restructuring cost				
1-12/2015	**0**	**-321**	**0**	**-321**
1-12/2014	0	0	0	0
Other operating result				
1-12/2015	**-17,102**	**49,375**	**-16,481**	**15,792**
1-12/2014	5,297	0	0	5,297
Income from financial investments				
1-12/2015	**9,770**	**-1,260**	**0**	**8,510**
1-12/2014	5,100	0	0	5,100
Income from companies measured at equity				
1-12/2015	**0**	**-6,531**	**0**	**-6,531**
1-12/2014	0	0	0	0
Annual result before taxes				
1-12/2015	**18,594**	**-2,342**	**0**	**16,252**
1-12/2014	38,316	0	0	38,316
Income taxes				
1-12/2015	**10,438**	**2,352**	**0**	**12,789**
1-12/2014	-8,810	0	0	-8,810
Annual result after taxes				
1-12/2015	**29,031**	**10**	**0**	**29,041**
1-12/2014	29,506	0	0	29,506
Total assets				
31 Dec 2015	**3,643,487**	**7,201,284**	**-827,039**	**10,017,732**
31 Dec 2014	3,412,360	0	0	3,412,360
Loans and advances to customers				
31 Dec 2015	**3,025,194**	**697,018**	**0**	**3,722,212**
31 Dec 2014	2,454,254	0	0	2,454,254
Companies measured at equity				
31 Dec 2015	**0**	**19,601**	**0**	**19,601**
31 Dec 2014	0	0	0	0
Amounts owed to customers				
31 Dec 2015	**3,255,742**	**736,758**	**0**	**3,992,500**
31 Dec 2014	3,063,804	0	0	3,063,804
Debts evidenced by certificates, including subordinated liabilities				
31 Dec 2015	**25,391**	**790,645**	**0**	**816,036**
31 Dec 2014	17,589	0	0	17,589

49) Risk report

General

Assuming and professionally managing the risks connected with business activities is a core function of every bank. VBW performs the key tasks of implementing and supporting processes and methods for identifying, managing, measuring and monitoring all risks related to banking operations, both at VBW Group level and as the central organisation of the banking association (Kreditinstitute-Verbund) pursuant to section 30a of the Austrian Banking Act with the primary institutions. Focus of control and therefore also the reporting is placed on the Association of Volksbanks including VBW as part of it.

To this end, the following risks are addressed in the context of the risk strategy specified annually by the managing Board on the basis of risk policy principles in force across the association, and thus also across the Group:

- Credit risks (default, counterparty, concentration, repayment vehicle, transfer, migration, macroeconomic and foreign currency loan risks)
- Market risk (trading book market risk, foreign exchange risk of open currency positions, interest-rate risk and credit spread risk)
- Investment risk (default, impairment and foreign exchange risk)
- Operational risk
- Structural liquidity risk
- Other risks (strategic risk, reputational risk, equity risk and business risk)

In its new role as the central organisation of the association of Volksbanks, VBW must ensure that the banking association has administration, accounting and control procedures in place to record, assess, manage and monitor business and operational banking risks as well as compensation policies and practices (section 39 (2) of the Austrian Banking Act). The necessary instruction rights are implemented based on the General Instructions. Harmonising and refocusing the risk management methods, processes and systems previously employed by VBAG and the Volksbanks represented the start of a new chapter in 2012 based on the motto of “One association – one system”.

Current developments

In the process of restructuring the Association of Volksbanks and converting VBAG into a wind-down entity, the division of VBAG enabling VBW to assume and fulfil the central organisation and central institution function in the new Association of Volksbanks created by the 2014 banking association agreement was spun off and transferred on 4 July 2015. VBW has acted as central organisation since 4 July 2015 and is responsible for ensuring the Association of Volksbanks complies with regulatory requirements. Risk management and control particularly entails implementation and support of processes and methods for identifying, managing, measuring and monitoring all risks related to banking operations.

VBW incurs costs and risks for the central organisation functions assumed which, out of solidarity, are distributed to all primary banks within the association on an economic basis.

a) Risk management structure and basic principles of risk policy

Risik management structure

The VBW Group has implemented all organisational precautions necessary to meet the requirements of a modern risk management system as formulated, for example, in the minimum standards for lending business and in the credit institutions-risk management regulation - CI-RMR. There is clear separation of market and risk assessment, measurement and control. In order to prevent conflicts of interest, these tasks are performed by different organisational units.

Strategic risk management for VBW and the association is concentrated in the Risk Control department within the General Management division headed by Gerald Fleischmann. Alongside Risk Control, this division also encompasses Association Strategy, Organisation/IT and HR Management. Operational risk management activities are concentrated in the Back Office division headed by Josef Preissl. The division includes the Retail/SME Risk, Association Risk Management and Reorganisation Management departments.

Basic principles of risk policy

The basic risk policy principles encompass the standards applicable within the VBAG Group as part of the association of Volksbanks for dealing with risks and are determined by the central organisation's Managing Board together with risk appetite. A broadly shared understanding of risk management throughout the association and throughout the Group is the foundation for developing risk awareness and a risk culture within the company.

General Instructions on Risk Management

As part of performing its management function, the central organisation has issued general instructions to the banks belonging to the Association of Volksbanks. The "General Instructions on Risk Management" and associated manuals are binding and govern risk management across the association and the Group. They cover the processes and methods that have been put in place for managing, measuring and monitoring risks in the association and the Group.

The aim of the General Instructions is to clearly and transparently document the general framework and principles for measuring and managing risks to be applied consistently across the association as well as the design of processes and organisational structures. The Instructions lay the foundation for operational implementation of the risk strategy. They set the basic risk targets and limits which have to be taken into account in decision-making, based on the relevant business priorities. The General Instructions on Risk Management apply to all members of the Association of Volksbanks in accordance with section 30a BWG.

As part of their general duty of care in the interest of the companies, the Managing Boards and senior management of all association members must ensure, without exception or limitation, that the General Instructions on Risk Management are applied in their respective companies on both a formal and a de facto basis. The General Instructions on Risk Management are applied either through full implementation at the entity or through their content being included in the entity's own risk manual. Any deviations from or special provisions relating to the General Instructions on Risk Management are permitted only in exceptional cases and must be agreed in advance with the OPRISK and Risk Governance organisational unit (OU 632) within VBW as the CO.

Clear organisational structures: Particular attention is paid to the separation of risk-taking on the one hand and calculating risk and specifying risk standards on the other (risk controlling/risk management). Separation of functions within the VBW Group ensures that conflicts of interest are avoided.

Systems and methods: Uniform risk measurement methods form the basis for comparing and aggregating risks within the VBW Group. They are also an important element in developing effective internal limit structures for the Group and calculating utilisation of limits. Major focus is placed on standardised risk management systems, including with regard to cost-effectiveness and conserving resources. Contingency plans ensure that the necessary system availability is maintained.

Limit system: All measurable and controllable risks in the VBW Group are subject to a limit structure that is in turn subject to ongoing operational monitoring. The “no risk without limit” principle applies. Risks for which current theory does not provide sufficiently exact measurement methods or instruments are considered either on the basis of regulatory equity requirements or conservative calculation methods, taking stress assumptions into consideration, or in the form of safety buffers. The prudence principle is applied in such cases.

Risk reporting: Prompt, regular and comprehensive risk reporting is implemented in various forms, including an risk report. This is an important element for identifying, measuring, managing and monitoring risks within the Group. It is produced on a quarterly basis and covers all relevant types of risk. The risk report periodically informs the Managing Board of the development of risk-bearing ability and the risk situation of the Group and focuses on a quantitative presentation of management-related information on the risk categories addressed, which is supplemented by brief assessments of the situation and further qualitative information where appropriate. During preparation of the report, particular emphasis is placed on data quality in order to ensure the findings are meaningful.

Processes: Functioning processes form the basis of risk management. Developing these processes and integrating them into day-to-day business procedures is thus a key risk management task in the VBW Group.

New product launches: For the implementation of new products a uniform approach has been established within the Group. In addition to the proper recording of all risks and their correct entry in controlling and accounting systems, the emphasis is on mapping them in the centralised systems of the Group, thus ensuring meaningful standardised risk reports and correct external reporting.

An efficient, system-supported approval process for treasury products has been implemented and is improved and developed on an ongoing basis. A focus here is on correctly mapping all risks in the risk management systems. Particular attention is paid to ensuring that it is possible to carry out an independent assessment. This also applies to closed positions. This ensures that the legal requirements for presenting counterparty default risk and collateral management requirements are met.

Backtesting: As estimations relating to the greatest probability of default (PD), loss given default (LGD), exposure at default (EAD), credit conversion factor (CCF) and value at risk (VaR) are always based on past values, their accuracy must be validated periodically by way of backtesting. Backtesting reports are prepared for credit and market risk in all cases. Although the frequency of reporting depends on the type of risk, the reports are produced at least once a year. The Managing Board is promptly informed of the findings. Any findings giving cause for concern (e.g. the number of outliers is too high from a statistical perspective) lead to an immediate analysis of the calculation methods or the models.

Stresstesting: Credit, market and liquidity risks undergo regular risk-type specific stress tests. The crisis scenarios in such tests are designed in such a way that the occurrence of very unlikely but not impossible events is simulated. Based on this approach, atypical tail losses (extreme losses), among other things, can be identified and analysed. This method is a useful supplement to the VaR method, particularly in relation to fat tails.

As well as these stress tests and sensitivity analyses for specific risk types, stress tests are regularly carried out across multiple risk types. This process initially involves defining economic crisis scenarios and deriving the changed risk parameters for the individual risk categories and segments from this. In addition to the risk side, the effects of crisis scenarios on the risk-covering equity are identified. Finally, the various effects of the crisis scenarios on the risk-bearing ability are compiled and analysed in a stressed risk sustainability account. Reverse stress tests and portfolio-specific stress tests are also performed.

b) Regulatory requirements

Regulatory requirements are split into three pillars within VBW in accordance with Basel II/ III. Pillar 1, minimum capital requirements, regulates the calculation of the minimum capital requirements for credit risks, market risks and operational risks. Pillar 2, supervisory review, defines minimum requirements of banks' risk management systems as part of the ICAAP (internal capital adequacy assessment process – see also Point c)). Pillar 3, disclosure, regulates disclosure for market participants.

Pillar 1 minimum capital requirements

In accordance with the Managing Board resolution, the implementation of pillar 1 at VBW as the central organisation for the association not only fulfils minimum requirements but also provides for efficient implementation of internal models, in order to improve the risk management systems for all risk types on an ongoing basis. Regulatory requirements apply to VBW as an individual institution, the VBW Group and the association in accordance with section 30a of the Austrian Banking Act. Where quantitative data on regulatory figures is shown below, this refers to the VBW Group.

The relevant standard regulatory approaches are used to determine the minimum capital requirements both for credit risk and for market and operational risks.

Pillar 2 Internal capital adequacy assessment process

The internal capital adequacy assessment process (ICAAP) requires banks to take all necessary measures to guarantee at all times that there are sufficient capital resources for current business activities and those planned for the future as well as the associated risks. Internal methods and procedures developed by banks may be used for this purpose. The size and complexity of the business activities plays a key role in the design of the strategies, methods and systems required for implementing the ICAAP (proportionality principle). The implementation of the ICAAP is explained in more detail in point c).

Pillar 3 disclosure in the VBAG Group

The requirements of pillar 3 are met through publication of the qualitative and quantitative disclosure requirements defined under the Austrian Financial market supervisory Authority (FMA) regulation on implementation of the Austrian Banking Act as it relates to the disclosure obligations of banks (EU regulation No. 575 / 2013 Part VIII disclosure), on the Bank's website under Association of Volksbanks/Association-disclosure.

c) Risk strategy and internal capital adequacy assessment process

As part of the association of Volksbanks pursuant to section 30a of the Austrian Banking Act, the VBW Group is subject to the association's risk strategy. This is re-evaluated and redefined annually by the Managing Board, taking into account results from the ICAAP. It forms the basis for a uniform approach to dealing with risks throughout the association and hence throughout the Group. The risk strategy sets out and documents the general framework and principles for risk management to be applied consistently across the association and the Group and the design of appropriate processes and organisational structures in a clear and comprehensible manner. Enhancements of the methods applied for measuring and managing risks are integrated into the risk strategy via the annual update process.

The ICAAP is established as a revolving management circuit in accordance with international best practice. This starts by defining a risk strategy, then goes through the process of identifying, quantifying and aggregating risks, and finishes by determining risk-bearing ability, allocating capital and establishing limits, leading to ongoing risk monitoring. The individual elements of the circuit are performed with varying regularity (daily for measurement of trading book market risk, monthly for creation of the risk sustainability account and annually for risk inventory and risk strategy). All the activities described in the circuit are examined at least once a year to ensure that they are up to date and adequate and are adjusted to current underlying conditions if necessary.

The association defines a risk strategy on the basis of the association business strategy, in order to create consistent conditions and policies for uniform risk management across the association. The association risk strategy applies for the entire association. VBW derives its own risk strategy from the association risk strategy. The core elements of the risk strategy are an integrated limit system and the risk appetite statement (RAS), which are intended to ensure that the risk, capital and performance targets are properly aligned. The limit system – broken down to sub-risk types – and the RAS provide the framework for the maximum risk which the VBW Group is prepared to incur in order to achieve its strategic goals. The RAS indicators have target, trigger and limit values and, like the bank-wide and sub-risk limits, are monitored on an ongoing basis, ensuring that deviations from the risk strategy are promptly identified and corrective measures can be quickly implemented.

The aim of the risk inventory is to ascertain the potential danger posed by significant new risks entered into and to assess significant existing risks. The results of the risk inventory are compiled and analysed for the association, each assigned institution and the VBAG Group. The results of the risk inventory are incorporated into the risk strategy and provide the starting point for the risk sustainability account, as it has to take significant risk types into account.

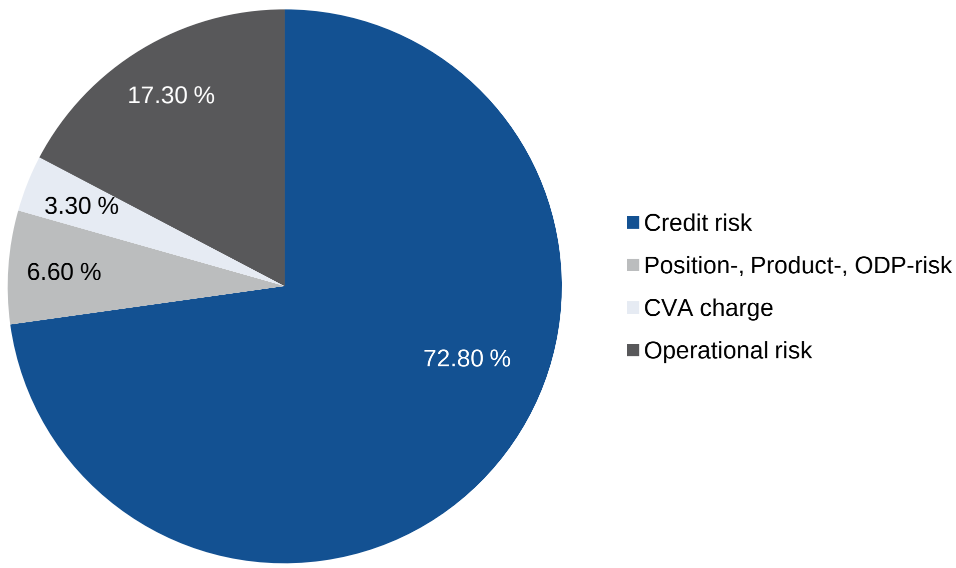
The basis for the quantitative implementation of the ICAAP is the risk sustainability account. It demonstrates that adequate risk-covering capital is in place at all times to provide sufficient cover for risks that have been entered into and which also ensures such cover is available for the future. For this purpose, firstly all relevant individual risks are aggregated. The existing, previously defined risk coverage capital is then compared with this total risk. Compliance with the total bank risk limit and the single-entity limit determined by the central organisation's Managing Board for the whole association is monitored on a monthly basis, and a risk report is prepared.

When determining the risk-bearing ability, different objectives may be pursued, which are reflected in three different views.

- Regulatory view (observance of regulatory capital ratios)
- Economic liquidation view
- Economic going concern view

The regulatory view compares the sum of all risks required by the regulator to be covered by capital according to specified risk measurement methods and the defined risk-covering capital (based on CRR/CRD IV and the Austrian Banking Act). Assurance of regulatory riskbearing ability is a minimum requirement, since it is stipulated by law.

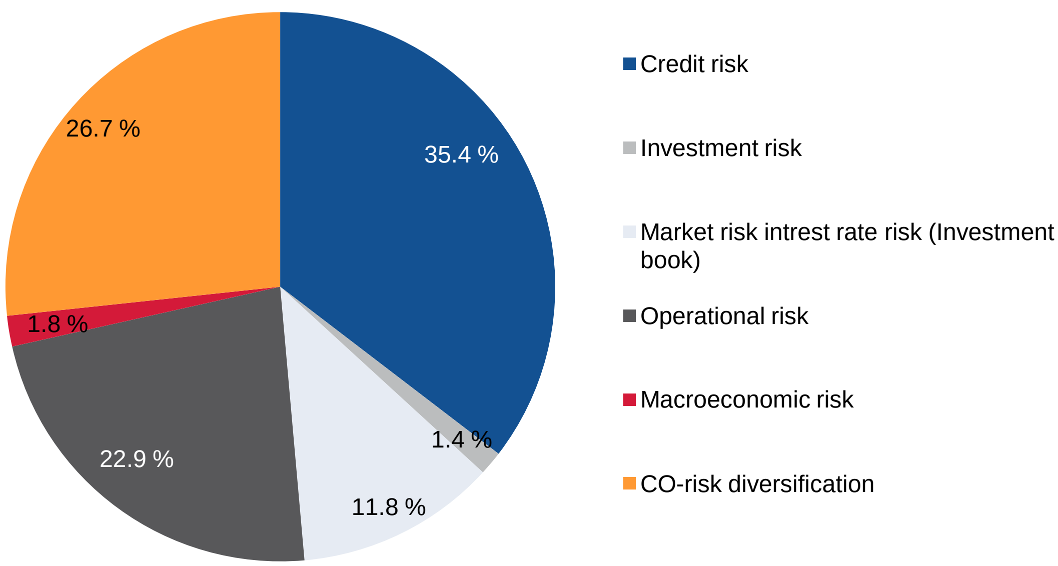
As at 31 December 2015, the regulatory overall risk position for the VBW is composed as follows:



In the economic liquidation view, the focus is on the meeting of creditors' claims in the event of liquidation. With this view, the risk-covering capital is defined on the basis of the internal capital. This is based on the regulatory definition, but also includes further components such as unaudited interim net income/losses as well as hidden liabilities/reserves. Moreover, "internal" – usually value-at-risk – methods are employed to determine the total risk position. This concerns not only the risks which the regulator requires to be covered by equity but also the analysis of all quantifiable risks regarded as significant in the context of the risk inventory.

A confidence level of 99.9 %, derived from the bank's target rating, and a holding period of one year are used to quantify risk in the liquidation view.

As at 31 December 2015, the total risk position for the VBW Group in the economic liquidity view was composed as follows:



The going-concern view seeks to ensure the continuation of normal business operations. The going-concern view is based on coverage of risks through capital available in the short term in day-to-day business. Minor, highly probable risks can be accommodated without jeopardizing ongoing business operations. Therefore, the risk-covering capital essentially comprises only hidden reserves/liabiliies, the net profit/loss achieved in the current financial year and the target profit/loss for the next 12 months, as well as the capital that exceeds the fixed capital ratio of the risk strategy. The risk quantification is based on a moderate confidence level of 95 % and a holding period of one year.

The economic risk sustainability account is regarded as an important view from a management perspective, as the combination of risk measurement and income accounting allows risk-adjusted income management. Standard performance measurement methods such as return on equity (ROE) are supplemented by the meaningful return on economic capital (ROEC) measurement, which takes adequate account of risks and facilitates comparison of segment performance, thus laying the foundation for value-oriented bank management.

d) Credit risk

The following risk sub-types are grouped under the heading of credit risk.

- Default risk
- Counterparty risk
- Credit concentration risk
- Repayment vehicle risk
- Transfer risk
- Migration risk
- Macroeconomic risk
- Foreign exchange risk from loans

Default risk denotes potential losses that may arise from the default of business partners who constitute borrowers at the VBW Group.

The counterparty risk is defined as the risk that a business partner in an unsecured over-the-counter (OTC) derivative transaction will not meet its contractual obligations or will not fully meet them, thus causing VBW Group an actual loss resulting from the positive fair value of the derivative transaction (replacement risk).

Concentration risk denotes the risk that a default by a customer will lead to defaults across the whole group of its business relations, even though this relationship would not necessarily entail a group default.

Repayment vehicle risk is the risk that a repayment vehicle that has been saved into in order to repay a debt does not achieve the desired performance and is finally insufficient to cover the dept. This shortfall between expected savings volume and outstanding debt at maturity serves as a guide to the potential loss.

Transfer risk occurs in the case of receivables that cross national borders. In the case of a deferment of payment (moratorium), cash flows out of a country are prohibited, even if the borrower is willing and able to pay. The probability of this happening is modelled as a surcharge on the probability of insolvency.

Migration risk represents the risk of change in a debtor's creditworthiness expressed as a change in their credit rating and thus their probability of default. These are cases in which losses have not yet materialised but where the likelihood of potential defaults has significantly increased.

Macroeconomic risk is the risk of losses arising from changes in the general economic situation.

Risk from foreign currency loans arises due to a mismatch between the currency of the debtor's income and the financing currency. If the exchange rate changes to the customer's disadvantage, the monthly cost to the customer increases, which can result in additional defaults.

Organisation and risk strategy

Strict separation of sales and risk management units is in place in all VBW Group units that generate credit risk. All case-by-case decisions are made under strict observance of the principle of dual control, which led to stipulation of clear processes for the collaboration between the risk management units in the subsidiaries and risk management at Group level. For large-volume transactions, processes have been created to ensure the involvement of operational Group risk management and the Group Managing Board in risk analyses and credit decisions. Limit systems that combine the decision-making competences of the individual corporate units in a single framework play a key role in this process.

Measuring and controlling the credit risk also necessitates the development of sophisticated models, systems and processes tailored to the bank’s own portfolio. The aim is firstly to structure and improve credit decision making and secondly to use such instruments and their findings as a basis for portfolio management. When implementing these systems, the VBW Group paid particular attention to ensuring that all rating systems used in the Group show a comparable probability of default (PD) and are connected with the VB master scale, which comprises a total of 25 rating categories. The PD band used enables both comparison of internal ratings with the classifications of external rating agencies and, most importantly, comparison of credit ratings across countries and customer segments.

Loan portfolio and credit value at risk

The term economic capital describes the minimum economic capital necessary from an economic perspective based on the result of a risk measurement. Along with regulatory capital, it is held for the purpose of covering unexpected losses exceeding expected losses. In future, calculation of the economic capital requirements needed for the credit risk will be based on the credit value at risk (CVaR) method. For this purpose, the VBW Group has selected an analytical calculation method based on an actuarial approach. In particular, a CreditRisk+ model adapted in line with internal requirements will be used for modelling credit risks in the loan portfolio.

The CVaR method is used at Group level as a basis for the following tasks:

- Breaking down the CVaR into individual segments and customers
- Identifying portfolio concentrations
- Analysing the development of the CVaR in portfolio and new business
- Analysis of individual customers’ marginal contributions
- Identifying the major drivers behind CVaR changes (for example: new business, Exposure at Default (EAD), collateral, loss and default rate, risk factor, etc.)

The CVaR for the credit risk is also used for the following purposes as part of general bank management:

- Calculating economic capital
- Ensuring comparability of the risk situation for different types of risk (e.g. credit risk and market risk)
- Calculating risk-adjusted performance ratios (e.g. ROEC)
- Allocating capital
- Cost of capital for a loan in the preliminary and final costing

The CVaR results also serve as a means of obtaining additional information for portfolio analysis and management. A corresponding report is compiled quarterly.

The most important aim of using credit risk methods and instruments is preventing loss through identifying risks at an early stage. The early warning systems provide for adequate risk management.

Risk management and risk controlling function

Limits

Monitoring, controlling and restricting the risk of individual exposures and risk clusters are managed on the basis of the following limits:

- Credit limits for groups of affiliated customers
- Portfolio limits

The group of affiliated customers is used as the basis for limits in new lending within the Association of Volksbanks. Limits stipulated for the Association of Volksbanks differ from those for merger groups or individual banks. Credit limits for groups of affiliated customers are essentially limits with regard to:

- Sovereign and similar risks, including country, central bank, supranational organisation (e.g. EU) and state-guaranteed risks
- Bank and similar risks: these primarily apply to the CO's treasury business as well as investment book investments
- Companies and all other borrowers not categorised as countries or banks; retail clients and municipalities are thereby to be treated as companies for the purpose of credit risk limits.

The limits for the maximum gross total exposure are calculated based on percentages of the relevant eligible own funds in line with rating classes. The maximum unsecured exposure is calculated as the percentage of the maximum total exposure (likewise in accordance with rating class) less protection class 1 collateral. If special circumstances mean that the limits have to be exceeded in individual business areas (e.g. charities or pharmacies), the relevant reasons must be given and prior authorisation must be obtained. Limits are reviewed on an ongoing basis at single-entity level through operational risk management at the individual banks and are monitored through central analyses performed by VBW in its role as the central organisation.

At present, when setting limits for portfolios, the VBW Group primarily uses country risk limits with the aim of limiting the transfer risk. The target portfolio of the Association of Volksbanks is Austrian business. Foreign business therefore has a limit of 5 %.

Concentrations

Concentrations are quantified and assessed on a Group-wide basis in two ways: on a monthly basis in the CVaR calculation and on a quarterly basis when preparing the risk report. This analysis includes, for example, concentrations at individual customer level as regards corporates, banks and the public sector. In addition, the concentration risk shows the effects of a Group view rather than the individual customer view.

As the VBW Group's activities are determined mainly by its duties as the central organisation, concentrations of risk arise in relation to the refinancing of primary institutions in the Association of Volksbanks.

Rating systems

Standardised models are applied across the Group to determine credit ratings (the VB rating family) and to determine the loss amount in the event of default. The expected likelihood of each customer defaulting is estimated across the VB rating family and expressed via the VB master scale. The concept behind the VB master scale allows for the comparison of borrower credit ratings across regions and customer groups.

The rating classes in rating category 5 cover the reasons for defaulting on a loan applied across the Group and are also used for reporting nonperforming loans (NPL). Loans from parts of rating category 4 and loans past due more than 60 days are defined as problem loans. An in-depth description of rating methods can be found in the regulatory disclosure on the banks website.

Forbearance

Based on the EBA final draft ITS on supervisory reporting on forbearance and non-performing exposures as well as Commission Implementing Regulation (EU) 2015/227 of 9 January 2015 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013, all loans and bonds as well as revocable and irrevocable loan commitments, balances held with central banks and other demand deposits in all valuation categories, with the exception of items held for trading, fall within the scope of application of supervisory reporting on forbearance and non-performing exposures. Non-current assets held for sale and disposal groups also fall within the scope of application pursuant to IFRS 5. Forbearance refers to concessions made by the lender to a debtor linked to financial difficulties or impending financial difficulties experienced by the debtor, which the lender would not otherwise grant. Forborne credit exposures are assigned to the categories of performing forborne credit exposures and non-performing forborne credit exposures. Regulations on subsequent monitoring of exposures (special monitoring requirements in the Association of Volksbanks) and criteria for recovery are derived from this categorisation.

Concessions have been agreed for economic reasons in connection with customer loans with a total carrying amount of euro 49,398 thousand. This amount relates to performing forborne credit exposures amounting to euro 16,856 thousand and non-performing forborne credit exposures amounting to euro 32,543 thousand; value adjustments of euro 8,762 thousand have been made for the non-performing forborne credit exposures.

The decision on when a transaction is no longer classed as forborne is made on the basis of fixed criteria, which must be cumulatively fulfiled. For customers undergoing intensive supervision, the decision is made as part of the scheduled monitoring process, while in cases involving restructuring it is made during ongoing monitoring of the exposure.

Counterparty default risk

Counterparty risk for market values arising from unsecured derivatives is accounted for by means of credit value adjustments (CVA) or debit value adjustments (DVA), as an approximation function for the potential future exposure in relation to counterparty default risk. The expected future exposure (EFE) is calculated using a Monte Carlo. As no observable credit spreads are available for these counterparties on the market, the default probabilities are based on the internal ratings of the Association of Volksbanks.

Legally enforceable netting agreements are in place with key counterparties of VBW Group, which have been taken into consideration for internal risk controlling and determining capital requirements. VBW Group does not use an internal model to calculate counterparty default risk.

The amount of the counterparty limits (off-balance limits) for derivative transactions with banks and financial institutions depends on the following criteria:

- Internal credit rating
- Amount of the counterparty's own funds
- Amount of the bank's own funds
- Intensity of the business relationship with the counterparty (strategically important, small number of transactions, sporadic)
- Legally enforceable netting agreements in place

The terms of the off-balance limits set are determined taking counterparty default risks into consideration.

The Group market an liquidity risk department is responsible for monitoring the counterparty limits for treasury that are set in line with various maturity bands. The inclusion of derivative transactions in the off-balance lines is based on the principle of positive fair value plus a term-dependent add-on for counterparties without legally enforceable netting agreements. If valid netting agreements are in place, positive and negative fair values are netted and any cash collateral is taken into account.

For institutional counterparties without netting, the amount of the add-ons is based on article 274 CRR. The add-on calculation is carried out in accordance with article 298 CRR, applying the off-balance netting. More conservative markups are used for internal risk management for non-credit institutions.

Utilisation reports and any overdraft reports are made available to the credit and treasury departments concerned on a daily basis.

Collateral Management - Derivative trading

As part of internal risk controlling in the VBAG Group, a daily comparison of the fair value of derivative transactions is currently performed with counterparties for transactions concluded on the basis of framework contracts (ISDA – international swaps and derivatives Association, Austrian or German framework contract) or credit support annex (CSA) contracts. If the fair values exceed certain contractually defined thresholds, these surpluses must be covered by collateral. The repo transactions are also examined with regard to the amount of collateral. In line with agreed margin calls, collateral is mostly transferred in the form of cash or government bonds in euro.

Credit risk reporting

VBW performs credit risk reporting on a monthly basis and provides a detailed presentation of prevailing credit risk within the VBW Group as at the reporting date, and within the banking association in accordance with section 30a of the Austrian Banking Act. Corresponding reports are produced for the Group, major Group units and key business areas. This information is also included in the credit risk sections of the Group risk report and the risk report.

The reports contain a quantitative presentation of management-related information on the credit risk, which is supplemented by a brief assessment of the situation and further qualitative information where appropriate.

The following analyses form part of the report:

- Portfolio distributions
- Development of new business
- Credit rating distributions
- Non-performing loans
- Credit risk concentrations
- Country group analyses
- Customer segments (customer segment split)
- Sector distributions (commerce)
- Significant CVaR information

These analyses are presented according to different sizes and ratios, for example: unsecured exposure, total exposure, expected loss, existing risk provisions, standard risk costs, non-performing loans, CVaR. The key ratios used to describe credit risks for the various business segments as at the balance sheet date and in comparison to the previous year are shown in the following tables and are excerpts taken from the Group risk report.

Presentation of receivables from banks and customers broken down by credit quality and allocation to individual risk categories.

	Loans and receivables to credit institutions and customers		
Euro thousand	**31 Dec 2015**	**31 Dec 2014**	**01 Jan 2014**
Gross carrying amount	6,516,454	3,234,678	3,505,699
Risk provision	68,782	35,202	102,886
Net carrying amount	**6,447,672**	**3,199,476**	**3,402,813**
Receivables impaired			
Risk category 1 (1A - 1E)	0	0	0
Risk category 2 (2A - 2E)	0	0	209
Risk category 3 (3A - 3E)	52	70	25,663
Risk category 4 (4A - 4E)	91	449	24,185
Risk category 5 (5A - 5E)	138,576	89,014	136,283
Risk category 6 (NR)	0	1	831
Gross carrying amount	138,719	89,534	187,171
Risk provision	61,954	31,114	102,886
Net carrying amount	**76,766**	**58,420**	**84,285**
Receivables not impaired but past due 90 - 180 days			
Risk category 1 (1A - 1E)	0	0	0
Risk category 2 (2A - 2E)	0	0	0
Risk category 3 (3A - 3E)	0	0	0
Risk category 4 (4A - 4E)	0	0	0
Risk category 5 (5A - 5E)	2,301	1,620	424
Risk category 6 (NR)	0	0	0
Gross carrying amount	**2,301**	**1,620**	**424**
Receivables not impaired but past due 180 - 365 days			
Risk category 1 (1A - 1E)	0	0	0
Risk category 2 (2A - 2E)	0	0	0
Risk category 3 (3A - 3E)	0	0	0
Risk category 4 (4A - 4E)	0	0	0
Risk category 5 (5A - 5E)	4,550	3,157	2,121
Risk category 6 (NR)	0	0	0
Gross carrying amount	**4,550**	**3,157**	**2,121**
Receivables not impaired but more than 365 days past due			
Risk category 1 (1A - 1E)	0	0	0
Risk category 2 (2A - 2E)	0	0	0
Risk category 3 (3A - 3E)	0	0	0
Risk category 4 (4A - 4E)	0	0	0
Risk category 5 (5A - 5E)	14,631	6,792	4,402
Risk category 6 (NR)	0	0	0
Gross carrying amount	**14,631**	**6,792**	**4,402**
Receivables neither impaired nor past due			
Risk category 1 (1A - 1E)	255,104	30,738	19,499
Risk category 2 (2A - 2E)	726,122	929,191	1,401,617
Risk category 3 (3A - 3E)	4,717,463	1,763,484	1,493,726
Risk category 4 (4A - 4E)	629,765	393,965	319,693
Risk category 5 (5A - 5E)	21,758	5,662	14,471
Risk category 6 (NR)	6,041	10,536	62,576
Gross carrying amount	**6,356,252**	**3,133,575**	**3,311,581**
Portfolio based allowance	6,828	4,088	0
Total net carrying amount	**6,447,672**	**3,199,476**	**3,402,813**

Classification to the individual risk categories is carried out according to internal rating categories at the association. Receivables in risk category 1 have the highest rating (lowest expected default rate), while receivables in risk category 4 have the lowest rating and receivables in risk category 5 constitute defaulted receivables (= non-performing loans, NPLs). Risk category 6 (NR) comprises almost all non-defaulted exposures that cannot be assigned to any of the other risk categories 1 - 4. These are mainly small exposures that fall below the rating obligation. This category includes customers with a wide variety of live ratings and, unlike the other risk categories, is not assigned to any particular risk. The distribution of risk provisions is also clarified accordingly. It must be noted that the gross carrying amount of the individual impaired loans and receivables does not correspond to the total of the NPLs. If the rating of a defaulting customer improves, the customer is assigned to a better (performing) rating category, impairment is reduced accordingly and the customer is no longer designated as an NPL.

The defaulted loans or NPLs are assigned to risk category 5 and allocated to the individual rating categories based on the reason for the default. This means, for example, that rating category 5A denotes those borrowers that are past due by more than 90 days.

The following table shows the distribution of non-performing loans across the default rating categories.

	Loans and receivables to credit institutions and customers					
	31 Dec 2015		**31 Dec 2014**		**01 Jan 2014**	
Euro thousand	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Receivables impaired						
Rating 5A	937	772	635	513	81	0
Rating 5B	23,086	14,480	18,404	14,739	42,825	18,811
Rating 5C	58,865	32,161	46,475	29,418	68,747	21,931
Rating 5D	36,798	18,213	16,998	8,711	21,117	7,648
Rating 5E	18,890	11,019	6,502	4,649	3,513	400
Total	138,576	76,646	89,014	58,030	136,283	48,790
Receivables not impaired but more than 90 days past due						
Rating 5A	1,592	1,592	435	435	404	404
Rating 5B	3,178	3,178	3,417	3,417	1,592	1,592
Rating 5C	9,905	9,905	4,916	4,916	4,644	4,644
Rating 5D	2,941	2,941	1,135	1,135	301	301
Rating 5E	3,866	3,866	1,666	1,666	6	6
Total	21,482	21,482	11,569	11,569	6,947	6,947
Receivables which are neither impaired nor past due						
Rating 5A	265	265	412	412	1,693	1,693
Rating 5B	9,967	9,967	2,329	2,329	9,347	9,347
Rating 5C	9,318	9,318	2,235	2,235	2,606	2,606
Rating 5D	1,394	1,394	385	385	659	659
Rating 5E	814	814	301	301	166	166
Total	21,758	21,758	5,662	5,662	14,471	14,471
Total carrying amount	**181,816**	**119,886**	**106,244**	**75,260**	**157,701**	**70,208**

The following table shows the gross and net carrying amounts of the receivables according to their respective risk categories.

Euro thousand	Loans and receivables to credit institutions and customers[1)] Gross	Net
31 Dec 2015		
Risk category 1 (1A - 1E)	255,104	255,104
Risk category 2 (2A - 2E)	726,122	726,122
Risk category 3 (3A - 3E)	4,717,514	4,717,501
Risk category 4 (4A - 4E)	629,856	629,846
Risk category 5 (5A - 5E)	181,816	119,886
Risk category 6 (NR)	6,041	6,041
Total	**6,516,454**	**6,454,500**
31 Dec 2014		
Risk category 1 (1A - 1E)	30,738	30,738
Risk category 2 (2A - 2E)	929,191	929,191
Risk category 3 (3A - 3E)	1,763,554	1,763,496
Risk category 4 (4A - 4E)	394,413	394,343
Risk category 5 (5A - 5E)	106,244	75,260
Risk category 6 (NR)	10,537	10,537
Total	**3,234,678**	**3,203,564**
1 Jan 2014		
Risk category 1 (1A - 1E)	19,499	19,499
Risk category 2 (2A - 2E)	1,401,825	1,401,759
Risk category 3 (3A - 3E)	1,519,389	1,512,158
Risk category 4 (4A - 4E)	343,878	336,128
Risk category 5 (5A - 5E)	157,701	70,208
Risk category 6 (NR)	63,407	63,061
Total	**3,505,699**	**3,402,813**

[1)] The net carrying amounts are shown without deduction of the portfolio impairment.

Individual impairment in risk category 5 generally does not cover the entire gross value of outstanding receivables, as collateral is taken into account but other provisions (portfolio provisions) are not, and this does not always need to result in complete impairment of the defaulted receivable in cases of restructuring (going concern consideration when recognising risk provisions).

The following table shows defaulted and non-defaulted exposures as a percentage of total receivables.

	Receivables total		Receivables in loss		Receivables alive	
Euro thousand	Exposure	Unsecured	Unsecured	Risk provision	Unsecured	Expected Loss
31 Dec 2015						
VBW	6,516,454	3,175,930	80,463	61,930	3,095,468	36,478
Total	**6,516,454**	**3,175,930**	**80,463**	**61,930**	**3,095,468**	**36,478**
31 Dec 2014						
VBW	3,234,678	1,172,790	42,880	31,069	1,129,909	6,804
Total	**3,234,678**	**1,172,790**	**42,880**	**31,069**	**1,129,909**	**6,804**
1 Jan 2014						
VBW	3,505,699	1,679,331	86,313	87,494	1,593,017	10,135
Total	**3,505,699**	**1,679,331**	**86,313**	**87,494**	**1,593,017**	**10,135**

Across the Group, default follows the definition given by the CRR which employ an approach based on internal ratings when calculating own funds. Defaulted receivables are compared with the amount of individual impairments recognized and performing receivables are compared with the loss expected for the following year. The expected loss is based on internal credit ratings, the economic collateral situation and the loss amount expected in the event of default derived from this. Defaulted receivables generally result in risk provisions which are less than the unsecured exposure, as in addition to provisions based on individual impairments, there are also group based impairments and portfolio provisions that are not included in the above table.

The table below shows the overall framework of secured receivables by individual collateral categories.

Euro thousand	Loans and receivables to credit institutions and customers 31 Dec 2015	31 Dec 2014	01 Jan 2014
Collateral for individual impairment loans and receivables			
Liquid funds	1,394	1,013	2,878
Securities	712	367	2,536
Mortgages	57,171	40,214	71,637
Guarantees	1,776	1,504	2,923
Movable Goods	292	64	144
Others	5,588	3,566	8,810
Collateral for loans and receivables not impaired but more than 90 days past due			
Liquid funds	305	165	15
Securities	8	42	15
Mortgages	13,653	10,238	5,890
Guarantees	107	465	223
Movable Goods	15	25	0
Others	688	634	395
Collateral for loans and receivables which are neither impaired nor past due			
Liquid funds	78,466	49,720	50,318
Securities	44,045	50,559	36,006
Mortgages	2,580,944	1,792,124	1,538,135
Guarantees	189,301	14,324	13,325
Movable Goods	10,275	3,166	2,706
Others	355,784	93,698	90,411
Total value of collaterals	**3,340,523**	**2,061,888**	**1,826,368**

The key form of collateral in the lending business is mortgages.

The following table shows the regional distribution of utilisation across countries.

Euro thousand	Austria	EFA incl. Switzerland	EU Central- and Eastern Europe	Non EU Europe	USA and Canada	Others	Total
31 Dec 2015							
VBW	5,881,252	503,812	31,262	1,118	40,172	58,838	6,516,454
Total	**5,881,252**	**503,812**	**31,262**	**1,118**	**40,172**	**58,838**	**6,516,454**
31 Dec 2014							
VBW	3,195,069	31,733	4,275	1,107	1,059	1,435	3,234,678
Total	**3,195,069**	**31,733**	**4,275**	**1,107**	**1,059**	**1,435**	**3,234,678**
1 Jan 2014							
VBW	3,467,236	28,481	4,863	1,175	1,237	2,706	3,505,699
Total	**3,467,236**	**28,481**	**4,863**	**1,175**	**1,237**	**2,706**	**3,505,699**

The distribution of the receivables portfolio across the main regions that are used within the Group for controlling purposes shows no shift in regional distribution. Even in 2013, the bulk of the volume was in Austria. The volume was reduced significantly in 2014, although the regional distribution was maintained.

The table below shows the portfolio sub-divided by customer segments.

Euro thousand	Public sector	Banks	Corporates	Retail SME	Retail private	Special finance	Total
31 Dec 2015							
VBW	101,796	2,707,011	1,785,505	589,971	1,269,273	62,898	6,516,454
Total	**101,796**	**2,707,011**	**1,785,505**	**589,971**	**1,269,273**	**62,898**	**6,516,454**
31 Dec 2014							
VBW	15,098	779,777	993,083	487,415	949,987	9,318	3,234,678
Total	**15,098**	**779,777**	**993,083**	**487,415**	**949,987**	**9,318**	**3,234,678**
1 Jan 2014							
VBW	16,682	1,178,548	881,435	448,886	973,312	6,835	3,505,699
Total	**16,682**	**1,178,548**	**881,435**	**448,886**	**973,312**	**6,835**	**3,505,699**

The breakdown according to customer segment conforms to the customer groups as defined by the Austrian Banking Act.

Loan collateral

Use of loan collateral

The use and management of loan collateral are regarded as important components of credit risk management in the VBW Group. Alongside borrowers' creditworthiness, they are a decisive factor in determining the credit risk of an exposure. The primary significance of loan collateral is in making provision for unforeseeable future risks from loan exposures, thus limiting the risk of loss arising from a loan exposure in the event of insolvency or restructuring.

The types of collateral used in the VBW Group and their treatment are comprehensively set out in the association manuals Collateral Management Parts I-IV and the General Instructions on Risk Management. These categorise collateral according to both legal hedging transactions and by the type of goods on which they are based.

In the VBW Group, a key requirement when selecting a type of collateral is its congruence with the loan to be secured. If collateral is created for a loan exposure, it must be objectively valued in accordance with binding valuation rules. Furthermore, there are clearly defined guidelines and processes for creating, managing and realising loan collateral. The soundness of all loan collateral is examined regularly. Periodicity largely depends on the type of collateral and is regulated on a standard basis.

Valuation of loan collateral

In each case, the starting point for considering collateral in terms of the lending process is the current fair value, market value, nominal value or surrender value. The corresponding deductions are subsequently applied to this value in each case for the purposes of credit risk mitigation. The different types of collateral are valued based on the following initial values:

Collateral	Initial value
Financial collateral	Fair value / nominal value
Real estate collateral	Fair value / market value
Other tangible collateral	Fair value
Accounts receivable	Nominal value
Life insurance	Surrender value
Guarantees	Nominal value
Credit derivatives	Nominal value

The initial valuation method used for loan collateral is appropriately documented together with the valuation results for ongoing examination.

The most important types of collateral

Loan collateral should correspond with the type of loan to be secured. As such, capital investment loans should be secured by the assets to be financed, provided these are sound and at the guarantor's disposal for the term of the loan. In the selection of loan collateral, the cost/benefit ratio is taken into consideration so that sound loan collateral that requires low levels of processing and costs as well as loan collateral that is actually realisable are selected first. For this reason, tangible collateral, such as real estate collateral, and financial collateral, such as cash or securities collateral, are given priority.

Distribution of personal collateral within the VBW Group's portfolio:

Collaterals	**Allowable amount**		
Euro thousand	**31 Dec 2015**	**31 Dec 2014**	**1 Jan 2014**
Financial collateral	307,151	101,867	91,769
Real estate collateral	2,651,768	1,842,576	1,615,662
Other tangible collateral	12,107	3,860	3,218
Accounts receivable	6,858	1,079	1,209
Life insurance	171,456	96,213	98,039
Guarantees	191,183	16,293	16,471
Total	**3,340,523**	**2,061,888**	**1,826,368**

Real estate collateral is by far the most important type of collateral in the VBW Group. The values shown represent the recognised value of the collateral (after measurement and capping by the amount of the secured receivable).

Whether or not personal collateral is recognised depends largely on the quality of the guarantor and its close association with the borrower.

According to the right granted by means of personal collateral, the following liability instruments are recognised in the VBW Group:

Personal Collaterals
Abstract guarantees
Guarantee and payer liability (persuant to section 1357 Austrian Civil Code)
Deficiency guarantee (persuant to section 1356 Austrian Civil Code)
Draft guarantee
Strict letter of comfort

Distribution of personal collateral within the VBW portfolio:

Personal Collaterals	**Allowable amount**		
Euro thousand	**31 Dec 2015**	**31 Dec 2014**	**1 Jan 2014**
Abstract guarantee	191,183	16,293	16,471
Total	**191,183**	**16,293**	**16,471**

Abstract guarantees are the most important type of personal collateral. Personal collateral in accordance with section 1356 and section 1346 of the Austrian Civil Code is only recognised if this is granted by government bodies or is provided with counter-liability on the part of government bodies. The values shown represent the recognised value of the collateral (after measurement and capping by the amount of the secured receivable).

e) Market risk

Definition

Market risk is the risk that the value of an asset item will change as a result of changes to the price of value-determinant market risk factors. VBW group draws a distinction between the following market risk sub-groups:

- Market risk in the trading book
- Interest rate risk in the investment book
- Credit spread risk
- Foreign currency risk open currency positions
- Option risks

Market risk in the trading book

Based on the business strategy, market risk in the trading book is of minor significance in the VBW Group. Management and monitoring of the market risks in the treasury of the VBW Group is performed by the independent Market and Liquidity Risk department, which is part of Risk Control. Besides producing a risk and income presentation on a daily basis, specifying the limit structure based on the economic capital made available by the Managing Board, the department's main tasks include administration of front-office systems, collateral management, enhancement of risk measurement systems and monitoring the market risk and counterparty limits.

Interest rate risks in the investment book

Entering into interest rate risks is a normal part of banking business and a key source of income. However, excessive interest rate risks represent a significant threat to the earnings and capital situation. Accordingly, an effective risk controlling system that monitors and limits the interest rate risk in line with the scope of business is vital for maintaining the bank's ability to bear risk.

Functional separation of the units that enter into interest rate risks and those that monitor such risks is in place.

The asset liability committee (ALCO) is the coordination body for managing the ALM processes and is convened monthly in line with the rules of procedure or at short notice if required.

Asset liability management (ALM) is responsible for ensuring the ALM organisation is adequate, chairs the meetings of the ALCO and devises the bases and analyses relevant for decision-making.

The department market and liquidity risk is responsible for specifying risk measurement methods and enhancing them on an ongoing basis. Preparing creation and analyses, setting parameters and monitoring limits also fall within its remit. The produced reports serve as a decisionmaking tool for the ALCO in performance of its management tasks.

The declared aim of interest rate risk management is to identify all material interest rate risks from assets, liabilities and off-balance positions in the investment book. This requires analysis of both the income effect and the present value effect of interest rate changes using simulation scenarios in the form of statistical and dynamic reports that also incorporate new business.

The following interest rate risks in the bank book are relevant to the VBW Group:

Repricing risk

Repricing risk arises due to time differences in the remaining maturity (fixed-interest instruments) or in the period until the interest rate is next fixed (variable-interest instruments) for receivables, liabilities and off-balance positions. It manifests itself in changes in the present value and future earnings of the banks brought about by changes in interest rates.

Yield curve risk

Yield curve risk results from disadvantageous changes in an interest rate curve, for example a parallel shift, a change in gradient or a change in curve.

Basis risk

In this context, basis risk results from imperfect correlations between the interest rates levied and paid on various financial instruments with otherwise similar characteristics, such as the same maturities.

Credit spread risk

Credit spread is defined as a surcharge on the risk-free interest rate which the purchaser of a security receives for not investing without risk. The credit spread results from the difference between the relevant interest rate (reference interest rate) and the risk-free interest rate. Accordingly, credit spread risk arises from fluctuations in the present value of assets due to the change in credit spreads over time.

The transactions relevant for credit spread risk are investments within the bank's own portfolio, not involving any loans or advances to customers, intended to be held over the long term. This essentially comprises the following asset classes: bonds, funds, credit default swaps (CDS) and promissory note bonds.

Risk indicators are calculated for credit spread risk for these strategic investment book positions. The risk indicators calculated are credit spread value-at-risk (CS VaR) and credit spread sensitivities.

Foreign currency risk in open foreign exchange positions

Foreign currency risk is the risk that the values of outstanding receivables/liabilities in a foreign currency will change unfavourably due to exchange-rate fluctuations.

Options risk (explicit/implicit risk from options)

An option is the right, but not the obligation, of an option holder to buy, sell or otherwise change the cash flow of a financial contract. Options may stand alone or be embedded in other financial instruments.

Here, the implicit risk of options denotes the risk from options embedded in receivables, liabilities and off-balance positions for example bonds with the right of termination.

Here, the explicit risk of options denotes the risk from standalone options, like caps and floors or swaptions.

Market risk reporting

Market risk controlling in the trading book

The key task of risk monitoring is to estimate on a daily basis the possible loss that could arise from unfavourable market developments. These value-at-risk calculations are performed using the MUREX risk management system based on the historical simulation method.

Historical simulation is used to add the historically observed changes to the current development of risk factors. This produces hypothetical developments of market risk factors that can be used as a basis for determining value at risk.

In the next step, the current portfolio is valued using the previously generated scenarios. This produces hypothetical portfolio values that are used to calculate the profit and loss distribution by mapping the differences between the hypothetical future and currently observed portfolio value. The VaR is obtained by applying the relevant quantile to the empirically calculated profit and loss distribution.

The time horizon corresponds to the minimum legal requirement of one year. The amount of VaR is ascertained from the 1% quantile of the hypothetical profit and loss distribution.

The following table shows VaR (99 % confidence level, holding period of one day) in the trading book for 2015, broken down into risk types:

31 Dec 2015 Euro thousand	Interest	Currency	Volatility	Total
Trading book	103	0	74	**137**

The plausibility and reliability of the VaR figures is reviewed daily by backtesting. In this process, forecast losses are compared ex post with actual trading results. An exception (outlier) is deemed to exist if a negative trading result exceeds the potential risk amount calculated by the model.

Backtesting at VBW Group is based on hypothetical trading results assuming an unchanged portfolio. The portfolio used as the basis for the VaR calculation is then revalued the following day with the current market risk factors. In 2015 there was one backtesting outlier.

A structure of limits reflecting the risk and treasury strategy and approved by the Managing Board is a key element of market risk management.

In addition to VaR, a further series of risk ratios are calculated daily. These chiefly include interest rate sensitivities and option risk ratios (delta, gamma, vega, rho).

Volume limits for all currencies limit the liquidity risk. Management action triggers and stop loss limits are also in place. The MUREX and Bloomberg TOMS front office and risk management systems are available for daily risk controlling purposes. The external pricing software UnRisk is also used to support the valuation of structured products.

Stresstesting

As VaR cannot cover the impact of extreme situations on earnings, extensive stress tests are performed on all trading book portfolios on a monthly basis or as required.

Through crisis tests firstly, assessing whether the bank's own funds can absorb potential major losses, and secondly, taking necessary measures to enable the bank to reduce its risk and retain its equity.

VBW Group applies various methods to generate scenarios. These can be divided into two categories: non-portfolio-specific and portfolio-specific methods.

Non-portfolio-specific scenarios such as parallel shifts, curve tilts or reconstructions of historical crises are applied to the current portfolio in the same way within each crisis test.

Portfolio-specific scenarios attempt to find the least favourable possible impacts for the current portfolio. At VBW Group, such scenarios are sought subjectively and empirically.

Valuations

All trading book positions are managed using the MUREX, front office and risk management system. MUREX is linked to real-time market data, which means positions are valued at market prices. Products that are not referenced to direct prices are valued using various pricing models based on current market parameters. The external pricing software UnRisk can be used to measure complex derivatives.

The systems described above ensure a daily, independent valuation of trading book positions.

The CO Market Risk association manual of the VBW Group sets out all rules and organisational processes for measuring and monitoring market risks.

Interest rate change risk in the investment book

The risk controlling records all the main forms of interest rate risk, such as basis and option risks. All Group positions sensitive to interest rate movements are included. The objective of risk controlling is to keep the bank's interest rate risks within specific parameters defined by the bank itself.

Positions with no specific lock-in period, which are primarily core deposit products such as savings deposits, current account deposits and loans with no fixed maturity are incorporated in the risk measurement using fictions. The assumptions were made based on statistical analyses or experience values or using expert opinions. The assumptions made were documented, are adhered to at all times and regularly reviewed with regard to their validity. Any deviations are also documented and displayed, provided that they are justified by facts. To approximate the basis risk within the gap process report, products (interest rate swaps, bonds, loans) whose lock-in period is not equal to the interest rate adjustment and is greater than or equal to one year are placed in maturity bands by replicating fixed-interest portfolios. This relates to those positions for which interest rates are fixed in line with secondary market rates of return (SMR) or a constant maturity swap (CMS).

Risk reports

An important building block of reporting is the gap report, which also forms the basis for interest rate risk statistics in line with the gap analysis method. To determine the gaps, products sensitive to interest rate movements are allocated to the appropriate maturity band according to their remaining maturity.

As an additional step, a gap report is produced that approximates the basis risk, e.g. of positions that are linked to secondary market rates of return, by replicating fixed-interest portfolios.

Additional present value reports are produced to obtain further ratios. Besides parallel shifts, tilts in interest rate curves are used. These scenarios and stress tests are regularly examined as to their validity and may be added to or replaced.

Currently, the following scenarios are implemented:

- Parallel shift of +1 bp, +10 bp, +25 bp and +50 bp
- Parallel shift of –1 bp, –10 bp, –25 bp and –50 bp

Stress testing refers to the development of scenarios for extreme market conditions. Interest rate shocks, which can lead to extraordinary losses for the bank, are a fixed component of stress tests in risk controlling.

Currently, the following stress tests are performed:

- Parallel shift of +100 bp and +200 bp
- Parallel shift of –100 bp and –200 bp
- Tilt/money market +100 bp
- Capital market –100 bp
- General Bank Risk stress tests are conducted half-yearly as part of the ICAAP. The scenarios used (mild and severe recession) are determined and examined in advance.

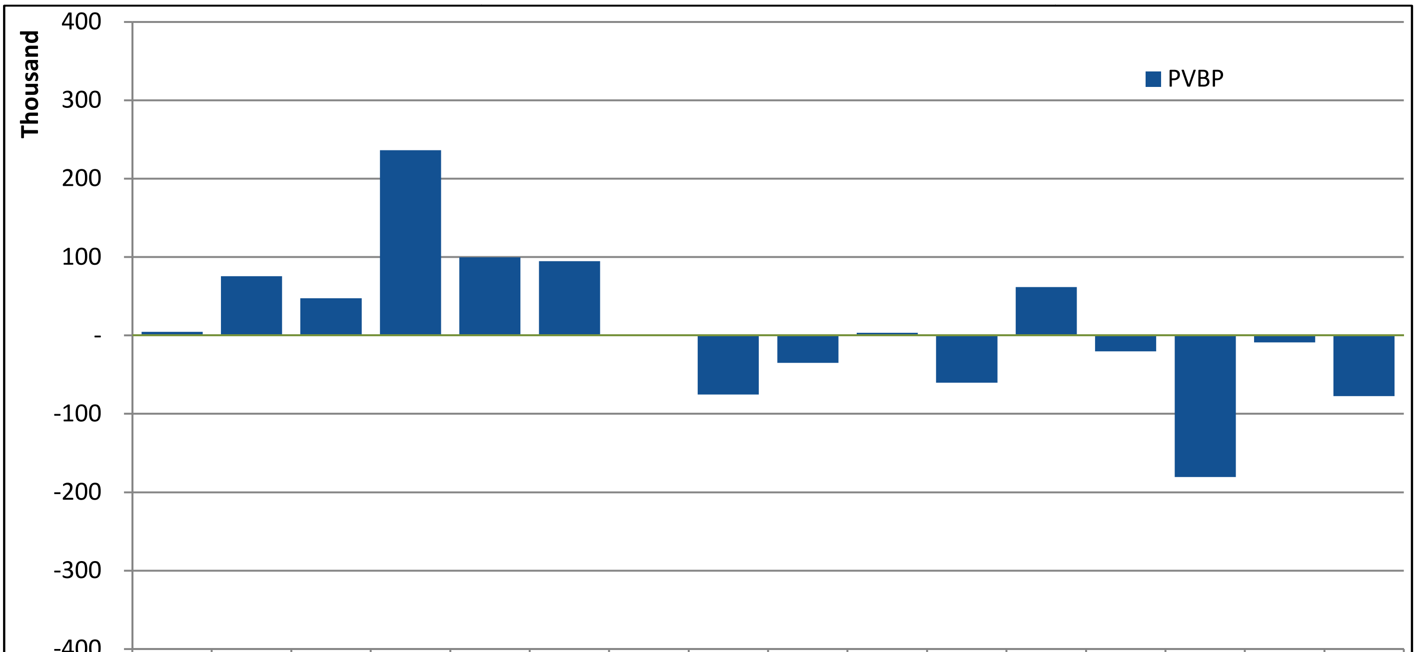
At VBW Group, limits are set using the interest rate sensitivity limit (PVBPs) and gap volume limits.

The present value of interest rate risk in the VBW Group (regulatory view in accordance with the National Bank of Austria's standard procedures) was 2.52 % as at 31 December 2015.

At year-end, the interest rate sensitivities (present value of interest rate risk) of the VBW Group – the impact of a shift in the yield curve by one basis point – were as follows for the major currency areas:

Currency euro thousand	31 Dec 2015
EUR	199
USD	1
CHF	-35
JPY	-1
GBP	0
Other	2
Total	**166**

The graph below shows interest rate risk as at 31 December 2015 based on the PVBP risk indicator. Total PVBP was euro 166 thousand:



	≤ 1 m.	≤ 3 m.	≤ 6 m.	≤ 1 y.	≤ 2 y.	≤ 3 y.	≤ 4 y.	≤ 5 y.	≤ 6 y.	≤ 7 y.	≤ 8 y.	≤ 9 y.	≤ 10 y.	≤ 15 y.	≤ 20 y.	> 20 y.
PVBP	5	75	47	236	100	95	-0	-75	-35	4	-60	62	-20	-181	-9	-77

in euro thousand

Credit spread risik

Particular attention is paid to credit spread risk in the strategic investment book (strategic banking book positions - SBBP). This essentially includes all bonds, fonds, credit default swaps and bonded loans. For SBBP positions monthly reporting has been implemented. The Managing Board is notified of SBBP positions as part of the Group risk reporting process. The SBBP report is split into a portfolio section and a risk section.

The SBBP portfolio report describes assets with regard to their fair values and carrying amounts and presents them in structural analyses according to various characteristics, such as asset class, IFRS and local GAAP treatment, credit rating, sector or duration. All portfolios are presented on the basis of the end of the respective quarter and their quarterly performance.

Portfolio structure according to IAS 39 categories

Euro thousand	Bond	Syndicated & bonded loans	Fund & Equity	CLN	Total
31 Dec 2015					
At fair value through profit or loss	0	0	0	0	0
Available for sale	1,570,073	0	40,673	0	1,610,745
Held to maturity and loans & receivables	69,747	74,596	0	0	144,343
Total	**1,639,819**	**74,596**	**40,673**	**0**	**1,755,088**
31 Dec 2014					
At fair value through profit or loss	0	0	0	0	0
Available for sale	54,166	0	15,721	0	69,887
Held to maturity and loans & receivables	0	0	0	0	0
Total	**54,166**	**0**	**15,721**	**0**	**69,887**
1 Jan 2014					
At fair value through profit or loss	0	0	0	0	0
Available for sale	7,305	0	78,789	1,000	87,094
Held to maturity and loans & receivables	0	0	0	0	0
Total	**7,305**	**0**	**78,789**	**1,000**	**87,094**

The on-balance-sheet portion of the strategic investment book corresponds to the portion of the financial investments eligible for the capital market. As well as the off-balance-sheet portion of the strategic investment book positions, only some of the figures in the SBBP report include deferred interest. Participation capital, bonds not eligible for the capital market and short-term government securities are not recorded in the strategic investment book, as these are excluded due to technical or regulatory requirements rather than for strategic reasons.

Top 10 exposures in the public sector

Euro thousand	Available for sale	Held to maturity and loans & receivables	Loans and receivables	Total
31 Dec 2015				
Austria	776,569	0	0	776,569
Italy	123,281	20,000	0	143,281
Poland	100,180	4,462	0	104,642
Switzerland	0	0	74,596	74,596
Czech Republic	54,212	0	0	54,212
Belgium	45,959	4,983	0	50,942
Portugal	44,717	0	0	44,717
Spain	40,728	0	0	40,728
Hungary	32,034	0	0	32,034
Lithuania	26,084	0	0	26,084
Total	**1,243,763**	**29,445**	**74,596**	**1,347,804**
31 Dec 2014				
Austria	3,132	0	0	3,132
Poland	2,064	0	0	2,064
Finland	2,001	0	0	2,001
Czech Republic	1,117	0	0	1,117
Netherlands	1,051	0	0	1,051
Total	**9,364**	**0**	**0**	**9,364**
1 Jan 2014				
Austria	5,250	0	0	5,250
Total	**5,250**	**0**	**0**	**5,250**

Off-balance-sheet exposure (CDS) in the public sector

	Protection sold		Protection bought		Total net	
Euro thousand	Face value	Fair value	Face value	Fair value	Face value	Fair value
31 Dec 2015						
Hungary	0	0	-29,185	12	-29,185	12
Total	**0**	**0**	**-29,185**	**12**	**-29,185**	**12**
31 Dec 2014						
Total	**0**	**0**	**0**	**0**	**0**	**0**
1 Jan 2014						
Total	**0**	**0**	**0**	**0**	**0**	**0**

The largest exposure in the public sector is to the Republic of Austria. Peripheral European countries (Portugal, Italy, Ireland, Greece and Spain) make up around 13% of the total exposure of the strategic investment book positions). Of these, the VBW Group's largest exposure is to Italy, followed by Portugal and Spain. The only off-balance sheet exposure in the form of CDS is to Hungary. The strategic investment book contains no exposure to Greece or Ireland.

Portfolio distribution by credit rating

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
1A	1,090,485	39,549	14,532
1B-1C	182,344	2,630	1,941
1D-2A	60,258	4,591	45,443
2B-3A	418,729	19,698	25,178
3B-4E (NIG)	2,437	3,418	0
5A-5E (Default)	835	0	0
no rating	0	0	0
Total	**1,755,088**	**69,887**	**87,094**

Portfolio distribution by sector

Euro thousand	31 Dec 2015	31 Dec 2014	1 Jan 2014
Financial sector	307,249	33,157	3,055
Public sector	1,387,208	9,364	5,250
Corporates	40,673	11,645	0
No classification	19,958	15,721	78,789
Total	**1,755,088**	**69,887**	**87,094**

The portfolio distribution by sector shows that the majority of the exposure in the strategic investment book is to public-sector debtors. Funds are not assigned to a sector since their individual components may belong to different sectors.

CS VaR is calculated based on a historical simulation. The scope of the underlying market indices has been extended to include individual indices in the case of countries. CS VaR is used in risk reporting and for risk limits for strategic investment book positions as well as in the context of bank-wide risk management within the risk sustainability account and the total bank risk stress test. The monthly risk limits for strategic investment book positions are integrated into the limits for the risk sustainability account.

To calculate credit spread risk in the strategic investment book, the portfolio is broken down into 30 risk clusters based on the criteria of currency, credit rating and sector. Securities allocated to the financial and euro-zone corporate sector are further differentiated by seniority. In addition, specific covered risk indices are used for the euro-zone and individual risk clusters are calculated for 15 European countries. The systemic credit spread is measured for each cluster on the basis of corresponding market indices and a risk-free interest rate curve. The calculation uses daily historical data going back to 2009. Monthly changes in the credit spread are determined on the basis of this data and then used to calculate the credit spread value at risk with a historical simulation.

For the presentation of the credit spread risk in the risk report, the value at risk is shown in the liquidation view (99.9 % confidence level, holding period of one year) and the going concern view (95 % confidence level, holding period of one year, only for parts of the portfolio that are designated as available for sale and measured at fair value through profit and loss). A second risk concept involves the performance of a similar sensitivity analysis (standardised) based on a 10-bp shift for the risk clusters and factors described above, which is presented in the risk report for the strategic investment book.

Following risk ratios result for the Group:

Euro thousand	Credit Spread Value at Risk	10 basis point-shift
31 Dec 2015		
	197,874	-13,369
31 Dec 2014		
	3,806	-407
1 Jan 2014		
	3,030	-265

As well as the portfolio and risk report, carrying out various stress tests is also an important aspect of risk controlling for the SBBP. Uniform association-wide standards based on economic Group research are vital for risk controlling here. These stress tests take place every six months. Three historical stress scenarios based on historical EBA stress scenarios (2001 recession, subprime crisis and European sovereign debt crisis) are also calculated, these scenarios are also mapped in the risk reporting.

All of the models described here are subject to regular backtesting in strategic risk management and are further developed on an ongoing basis in collaboration with other key departments.

f) Operational risk

Definition

The VBW Group defines operational risk based on chapter 4 paragraph 52 CRR as the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. Furthermore, legal risk is also taken into account in the operational risk.

Organisation and risk strategy

Within the VBW Group, line management is responsible for managing operational risks, with support from experts from the Operational Risk and Internal Control Systems divisions. The aim is to optimise processes to decrease the likelihood of operational risks occurring and/or the impact of operational losses. Close collaboration with security, safety and insurance management also enables optimal, comprehensive management of operational risks.

Both, quantitative and qualitative methods are used to analyse operational risks. Quantitative methods include, for example, performance of stress tests and analysis of risk reports. If there is a significant accumulation of losses in specific areas of the business, qualitative risk analyses are carried out.

Operative risk management and risk controlling function

The following policies and principles derived from the risk strategy apply to OpRisk management at VBW Group:

- The foremost aim of the entire OpRisk management process is to optimise processes to decrease the likelihood of events occurring and/or the impact of operational losses.
- Events are fully documented on an electronic platform, in a sufficiently comprehensible manner, to enable third-party experts to make use of the documentation. Since 2004, operational events throughout the Group have been recorded in a standardised fashion. The resulting transparency with regard to the events that have occurred makes it possible to produce a risk assessment derived from historical data.
- The methods, systems and processes in OpRisk management must be adapted to the respective institution in observance of Group requirements in line with the proportionality principle.
- The adequacy of risk management and monitoring measures and of additional measures aimed at minimising risk is assessed on a continual basis and at least once a year and is reported to the Board. Measures to spread risk include, for example, awareness-raising initiatives/training, ensuring confidentiality, availability and integrity of customer and company data and operational contingency planning, as well as, in particular, adequate separation of responsibilities and application of the principle of dual control. Management must formally and verifiably accept (remaining) operational risks that cannot be prevented, reduced or transferred.
- The effectiveness of OpRisk management is also confirmed by way of periodic independent audits.

VBW has implemented an internal control system (ICS) in accordance with the internationally recognised COSO standard. There are detailed descriptions of ICS procedures and controls. Responsibilities and roles with regard to the ICS are clearly defined, and ICS reporting is regularly carried out. Control activities are documented and reviewed, and ICS-relevant risks are regularly evaluated and updated. This ensures an ongoing process of optimisation. The Audit department reviews the internal control system in its function as an independent monitoring entity. It reviews the effectiveness and adequacy of the ICS as well as compliance with internal rules and regulations.

One of the priorities for 2015 was to optimise the OpRisk program within the Association of Volksbanks pursuant to section 30a BWG, to ensure that the requirements of the standard approach were met throughout the association. Training and awareness-raising activities were carried out in parallel.

g) Liquidity risk

Definition

Liquidity risk is defined as the risk of not being able to meet payment obligations on their due date or not being able to raise the liquidity required at the conditions expected as and when necessary. Liquidity risk is controlled by means of monitoring surpluses from the allocation of cash flows of all asset and liability items to defined maturity bands.

Organisation and strategy

In accordance with the legal requirement to ensure segregation of front and back office functions, liquidity management and control is carried out based on a holistic ALM approach in Treasury. Monitoring and limitation of liquidity risk and the methodological principles of risk measurement are the responsibility of risk controlling.

ALM Liquidity management

ALM Liquidity management comprises the sub-areas of operational liquidity management, liquidity control and liquidity strategy and is responsible for operational liquidity management, short-term reporting and long-term, strategic liquidity management. Liquidity management is the central department for liquidity issues in the VBW Group and the association of Volksbanks. These include in particular liquidity pricing (transfer pricing), Group-wide, central management of collateral, establishing the funding structure, managing available liquid assets and ensuring compliance with the refinancing strategy.

In addition, liquidity management is documented via the liquidity and funding strategy, the liquidity manual and the liquidity emergency manual.

Operative risk management and risk controlling function

Operative liquidity management

The operational liquidity management unit uses various instruments and tools to ensure adherence to risk controlling policies and legal regulations, for daily reporting, as well as for the supply of short-term liquidity in VBW and the association of Volksbanks.

Operational liquidity management comprises the following key tasks:

- Cash management, supported by a real-time cash management system, provides for settlement of all the association’s transactions and management of the nostro accounts maintained by VBW in all currencies. An intraday comparison of data from cash management with the cash flows from day-to-day liquidity planning is performed. Further cash management tasks include monitoring of various payment transaction platforms including the TARGET II platform.

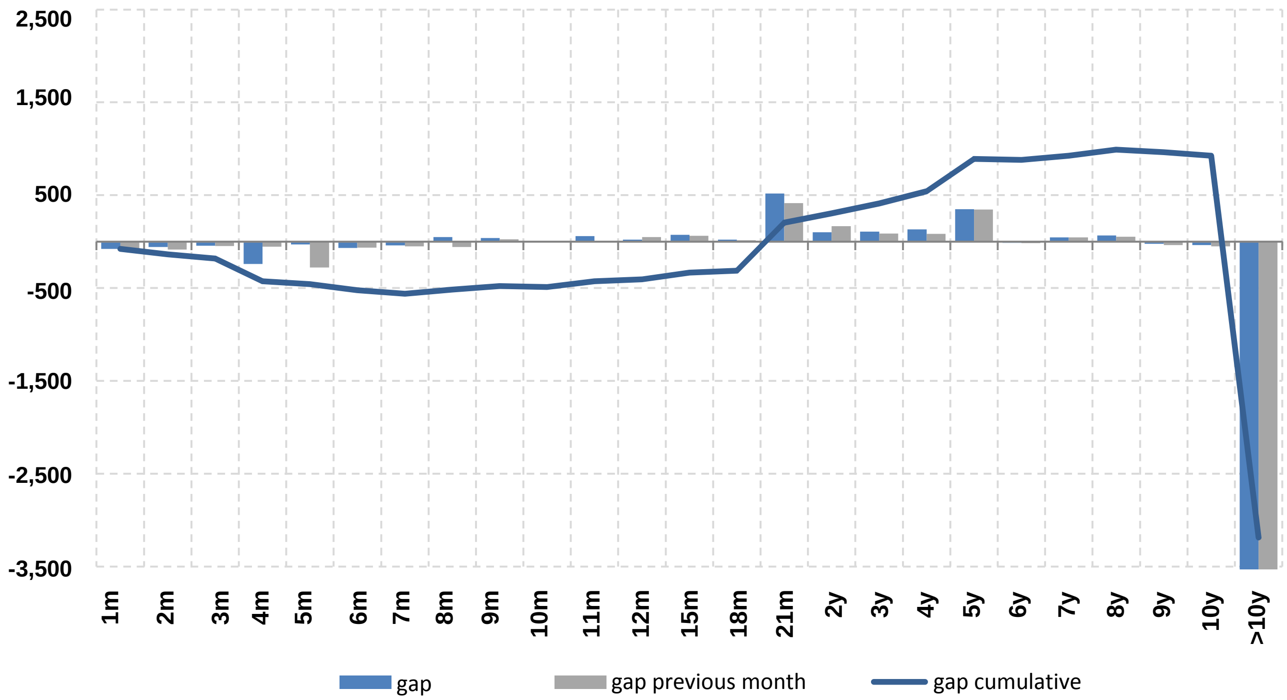
- Collateral management: ECB-eligible collateral (eligible bonds and credit claims) of VBW and the association, as well as the initiation/use of ECB refinancing, facilitates optimal use of the collateral portfolio, with due consideration of planning data, cash management requirements and regulatory requirements under section 25 of the Austrian Banking Act.
- A planning tool enables daily liquidity planning for the next 31 days, and weekly planning for the next 12 months for all relevant currencies. This tool also allows for a liquidity outlook covering the association of Volksbanks, based on net cash flow up to product level. Cash flows are modelled at product level on a daily basis, including market, institutional and product-specific data as well as a daily valuation of all positions presented in foreign currencies, in order to model liquidity requirements arising from currency fluctuations.
- Compliance with the legal provisions of section 25 of the Austrian Banking Act and CEBS guidelines by VBW and the association in connection with managing ECB collateral and monitoring liquid assets is another key part of operational liquidity management.
- Monitoring the association's refinancing positions in all currencies and the "liquidity control system" for association banks implemented by VBW in accordance with section 30a of the Austrian Banking Act – including liquidity notifications, refinancing management, use of collateral and an early warning system – constitute a further element of operational liquidity management.
- Planning and complying with the minimum reserve provisions (compliance) for VBW and the association of Volksbanks while taking liquidity planning into account and regularly reporting to the Managing Board are also part of the task area.

Liquidity risk controlling

Risk reports

To present the structural liquidity risk, the market and liquidity risk department creates a liquidity gap report that takes into account both deterministic and stochastic capital cash flows and interest rate cash flows of on- and off-balance sheet products. The cash flows are calculated and modelled in their original currency first of all and are then aggregated and translated into euro. Surplus cover and deficits from the cumulative cash flows are identified and analysed using the GAP method. The report visualises the net cash flows for each maturity band, the cumulative cash flow and the liquidity buffer. The liquidity buffer corresponds to the lending value of the unencumbered assets/collaterals at the central banks as well as the cash and cash reserve deposited and accepted at the Austrian national bank.

Liquidity gap report for VBW as at 31 December 2015 in euro million



The addition of inflows and (negative) outflows shows the gap as the net cash flow for each maturity band. The point at which a negative cumulative gap could no longer be offset by the liquidity buffer (freely available assets, represented by the dotted line) indicates the survival period. As shown in the illustration, the survival period is greater than 10 years.

In addition to the real case scenario, stress scenarios are also calculated. As determined by CEBS, this involves a bank, a market and a combined stress scenario. In these cases, the liquidity buffer is stressed with regard to sufficient cover.

Limits for the structural liquidity risk are set in the real case scenario and in the stress scenarios using the structural survival period and the net concentration ratio. The structural survival period is the period up to which the institution is able to make its due payments with deposits and the liquidity buffer. Additional funding measures are not taken into account here and would extend the structural survival period. The net concentration ratio is the net of cash inflows and cash outflows for a certain maturity band in relation to the liquidity buffer.

LCR & NSFR

The aim of the liquidity coverage ratio (LCR) is to ensure the short-term solvency of banks in stress situations. The net stable funding ratio (NSFR) is aimed at banks' medium to long-term liquidity position and is intended to limit their use of liquidity maturity transformation.

VBW has reported LCR and NSFR to the regulator since 31 March 2014. The ratios form an integral component of risk management and reporting.

As at 31 December 2015, LCR in the VBW Group stood at 101 %.

h) Investment risk

The VBW Group defines investment risk as the risk that a held investment will default or lose value. Since this risk is material for the Group, it is quantified and taken into account when determining risk-bearing capacity. Investment risk is divided into the following characteristics:

- Default risk of investments
- Impairment risk of investments
- Foreign exchange risk of investments

The default risk of investments is calculated using the credit value at risk model and included in credit risk reporting (see section d) Credit risk). This risk category includes not only traditional investments, but also loans to these investments, which correspond to the definition of IAS 24 Related Parties.

The impairment risk of investments is taken into account by means of discounts on the carrying amounts of the investments in the risk sustainability account.

The foreign exchange risk of investments refers to the risk of a change in the value of consolidated core capital components in non-euro currencies due to exchange rate fluctuations and is calculated based on value at risk via the internal market risk model.

i) Other risks

In terms of other risks, the VBW Group is confronted with strategic risk, reputational risk, equity risk and business risk.

Strategic risk is the risk of a negative impact on capital and income due to business-policy decisions or failure to adapt to changes in the economic environment.

Reputational risk is the risk of adverse effects on the Bank’s result due to a loss of reputation and associated negative effects on stakeholders (regulator, owners, creditors, employees, customers).

The VBW Group defines equity risk as the risk of an unbalanced composition of internal equity in relation to the type and size of the Bank or difficulties in absorbing additional risk-covering capital quickly in case of need.

Business risk (yield risk) is the risk arising from earnings volatility and hence the risk of being unable to (fully) cover unavoidable fixed costs.

Although other risks are not of key significance to the VBW Group, they are intrinsic to its operations. Mainly organisational measures are implemented for the management of other risks.

Therefore, to protect against other risks, a capital buffer is defined on the basis of the economic total bank risk limit.

50) Fully consolidated companies[1)]

Company names and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in euro thousand
3V-Immobilien Errichtungs-GmbH; Wien	HD	100.00 %	100.00 %	35
Gärtnerbank Immobilien GmbH; Wien	HD	100.00 %	100.00 %	35
GB IMMOBILIEN Verwaltungs- und Verwertungs-GmbH; Wien	HD	100.00 %	100.00 %	35
VB Rückzahlungsgesellschaft mbH; Wien	SO	100.00 %	100.00 %	35
VB Services für Banken Ges.m.b.H.; Wien	HD	98.89 %	98.89 %	327
Verwaltungsgenossenschaft der IMMO-BANK eG; Wien	SO	88.85 %	88.85 %	3,915
VOBA Vermietungs- und Verpachtungsges.m.b.H.; Baden	HD	99.00 %	99.00 %	36
VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H.; Wien	FI	100.00 %	100.00 %	872

[1)] all fully consolidated companies are under control

51) Companies measured at equity

Company names and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in euro thousand
IMMO-Bank Aktiengesellschaft; Wien	KI	22.87 %	22.87 %	11,835
Volksbank Gewerbe- und Handelsbank Kärnten eGen; Klagenfurt	KI	31.85 %	31.85 %	27,495

52) Unconsolidated affiliated companies

Company names and headquarters	Type*	Equity interest	Share in voting rights	Nominal capital in euro thousand
Immo-Contract Baden Maklergesellschaft m.b.H.; Baden	SO	100.00 %	100.00 %	175
UVB-Holding GmbH; Wien	SO	100.00 %	100.00 %	35
VB ManagementBeratung GmbH; Wien	SO	100.00 %	100.00 %	36
VBKA-Holding GmbH; Wien	SO	100.00 %	100.00 %	35
VOME Holding GmbH; Wien	HO	100.00 %	100.00 %	35

*Abbreviations Type

KI	credit institution
FI	financial institution
HD	ancillary banking service
SO, HO	other enterprises

STATEMENT OF ALL LEGAL REPRESENTATIVES

Declaration of all legal representatives

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial positions and profit or loss of the group as required by the applicabel accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

Vienna, 13 April 2016

Gerald FLEISCHMANN
Chairman of the Managing Board
General Secretariat, Organisation / IT,
HR Management, Press Office, Risk Control, Banking Association Strategy

Josef PREISSL
Deputy Chairman of the Managing Board
Compliance Office, Property Subsidiaries, Integration/Operational Risk Governance,
Legal, Audit, Association Risk Management, Risk Retail/SME,
Reorganisation Management, VB Services for Banks

Wolfgang SCHAUER
Member of the Managing Board
Major Commercial, Marketing/Communication,
Regional Management/Branches, Treasury,
Sales Management, Front Office Service Center

Rainer BORNS
Member of the Managing Board
Finance

AUDITOR'S REPORT

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of

VOLKSBANK WIEN AG,
Vienna, Austria,

for the year from 1 January 2015 to 31 December 2015. These consolidated financial statements comprise the consolidated statement of financial position as of 31 December 2015, the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the fiscal year 2015 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements pursuant to Sections 245a UGB (Austrian Commercial Code) and 59a BWG (Austrian Banking Act). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures 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 internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of 31 December 2015 and of its financial performance and its cash flows for the year from 1 January to 31 December 2015 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and special legal provisions.

Report on the Management Report for the Group

Pursuant to statutory provisions, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report for the Group is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 13th April 2016

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Martin Wagner
Wirtschaftsprüfer
(Austrian Chartered Accountant)

This report is a translation of the original report in German, which is solely valid.

Resolution of the Association Managing Board

The Managing Board of Österreichischer Genossenschaftsverband (the Austrian Cooperative Association) has taken note of the present Auditor's Report on the audit of the consolidated financial statements as at 31 December 2015, including the Group management report, of VOLKSBANK WIEN AG.

Österreichischer
Genossenschaftsverband
(Schulze – Delitzsch)

INDIVIDUAL FINANCIAL STATEMENT VOLKSBANK WIEN AG

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Statement of financial position

Aktiva	Euro	31 Dec 2015 Euro	Euro thousand	31 Dec 2014 Euro thousand
1. Cash in hand, balances with central banks and post office giro institutions		1,280,268,748.45		31,057
2. Debt instruments issued by public bodies and similar securities		983,272,680.98		10,533
3. Loans and advances to credit institutions				
a) Due on demand	423,053,708.45		773,964	
b) Other receivables	2,358,442,178.03	2,781,495,886.48	6,662	780,626
4. Loans and advances to customers		3,753,773,473.49		2,404,335
5. Bonds and other fixed-income securities				
a) From public issuers	6,949,921.24		0	
b) From other issuers	1,158,741,951.44	1,165,691,872.68	46,308	46,308
Of which: In-house issues Euro 807,590,049.08 (2014: Euro thousand 0)				
6. Shares and other variable-yield securities		52,368,961.44		23,833
7. Participations		20,292,098.19		10,764
Of which: in credit institutions Euro 10,716,991.06 (2014: Euro thousand 7,793)				
8. Investments in affiliates		25,720,010.52		6,804
Of which: in credit institutions Euro 0,00 (2014: Euro thousand 0)				
9. Intangible non-current assets		4,435,650.30		10
10. Fixed assets		64,056,036.72		51,287
Of which: Land and buildings used by the credit institution within the scope of its own activities Euro 29,911,687.44 (2014: Euro thousand 25,360)				
11. Other assets		482,524,698.42		11,701
12. Deferred items		5,252,733.11		8,152
Of which: Deferred taxes to § 198 UGB Euro 3,550,000.00 (2014: Euro thousand 5,754)				
TOTAL ASSETS		10,619,152,850.78		3,385,410

Off-balance sheet items and memo items				
1. Foreign assets		1,274,047,806.08		74,861

Liabilities	Euro	31 Dec 2015 Euro	Euro thousand	31 Dec 2014 Euro thousand
1. Amounts owed to credit institutions				
a) Due on demand	3,548.941,268.77		19,683	
b) With agreed term or period of notice	509,398,825.75	4,058,340,094.52	55,474	75,157
2. Amounts owed to customers				
a) Saving deposits				
aa) Due on demand	527,284,221.10		380,407	
bb) With agreed term or period of notice	1,095,393,752.32		1,089,053	
	1,622,677,973.42		1,469,460	
b) Other liabilities				
aa) Due on demand	2,223,219,266.03		1,362,778	
bb) With agreed term or period of notice	167,280,866.73		229,134	
	2,390,500,132.76	4,013,178,106.18	1,591,912	3,061,372
3. Debts evidenced by certificates				
a) Issued debt securities	908,000,000.00		4,895	
b) Other debts evidenced by certificates	549,975,000.00	1,457,975,000.00	0	4,895
4. Other liabilities		620,136,571.15		6,430
5. Deferred items		9,158,081.05		193
6. Provisions				
a) Provisions for severance payments	14,959,714.00		8,300	
b) Provisions for pensions	6,583,666.81		5,436	
c) Provisions for taxes	200,000.00		0	
d) Other	92,774,556.57	114,517,937.38	14,597	28,333
6a. Fund for general bank risks		0.00		9,500
7. Supplementary capital pursuant to Part Two, Title 1, Chapter 4 of Regulation (EU) No 575/2013		20,131,000.00		30,726
8. Subscribed capital		107,477,250.00		56,454
9. Capital reserves				
Appropriated		155,087,989.59		42,623
10. Retained earnings				
Other reserves		25,089,409.61		25,061
11. Liability reserve pursuant to section 57 (5) BWG		35,877,671.37		35,878
12. Net profit		457,794.91		6,856
13. Untaxed reserves				
a) Revaluation reserve due to extraordinary impairments	1,700,003.75		1,877	
b) Other untaxed reserves	25,941.27	1,725,945.02	55	1,932
TOTAL LIABILITIES AND EQUITY		10,619,152,850.78		3,385,410

Off-balance sheet items and memo items				
1. Contingent liabilities				
Liabilities from sureties, guarantees and provision of collateral		485,227,822.54		227,904
2. Credit risks		7,804,673,646.57		325,301
Of which: Liabilities from repurchase agreements Euro 0.00 (2014: Euro thousand 0)				
3. Liabilities from fiduciary transactions		108,776,519.68		2,751
4. Eligible capital pursuant to Part Two of Regulation (EU) No 575/2013		353,988,612.78		208,004
Of which: Supplementary capital pursuant to Part Two, Title 1, Chapter 4 of Regulation (EU) No 575/2013 Euro 23,492,738.17 (2014: Euro thousand 15,171)				
5. Capital requirement pursuant to Article 92 of Regulation (EU) No 575/2013		220,419,839.44		–
Of which: Capital requirement pursuant to Article 92 (1)				
(a) of Regulation (EU) No 575/2013 (Common Equity Tier 1 capital ratio in %)		11.90%		–
(b) of Regulation (EU) No 575/2013 (Tier 1 capital ratio in %)		11.90%		–
(c) of Regulation (EU) No 575/2013 (Total capital ratio in %)		12.85%		–
6. Foreign liabilities		178,217,944.19		62,967

Income statement

		1-12 2015		1-12 2014
	EUR	EUR	Euro thousand	Euro thousand
1. Interest and similar income		143,776,242.28		85,189
Of which: From fixed-income securities	13,973,612.74		4,358	
2. Interest and similar expenses		–50,973,606.85		–29,884
I. NET INTEREST INCOME		**92,802,635.43**		**55,305**
3. Income from securities and investments				
a) Income from shares, other ownership interests and variable-yield securities	3,429,489.42		1,781	
b) Income from investments	1,321,527.78		311	
c) Income from shares in affiliates	1,611,815.58	6,362,832.78	351	2,443
4. Fee and commission income		65,297,660.14		35,942
5. Fee and commission expenses		–25,997,428.32		–2,692
6. Net trading income/expenses		8,471,044.69		0
7. Other operating income		113,292,649.80		2,232
II. OPERATING INCOME		**260,229,394.52**		**93,230**
8. General administrative expenses				
a) Staff expenses				
aa) Wages and salaries	–67,365,497.08		–30,745	
bb) Expenses for statutory social contributions and remuneration-related charges and compulsory contributions	–16,074,550.12		–8,361	
cc) Other social expenses	–1,617,153.91		–774	
dd) Expenses for retirement benefits and support	–1,836,555.27		–1,113	
ee) Allocation to provision for pensions	–749,468.52		312	
ff) Allocation to provision for severance payments and employee welfare funds	1,487,141.64		–1,682	
	–86,156,083.26		–42,363	
b) Other administrative expenses	–77,248,947.88	–163,405,031.14	–26,549	–68,912
9. Value adjustments on assets within items 9 and 10		–11,270,182.47		–4,882
10. Other operating expenses		–71,418,142.90		–1,103
III. OPERATING EXPENSES		**–246,093,356.51**		**–74,897**
IV. OPERATING PROFIT		**14,136,038.01**		**18,333**
11. Net of value adjustments on loans and advances and provisions established for contingent liabilities and of gains from reversing value adjustments on loans and advances and provisions for contingent liabilities		–753,497.36		–531
12. Net of value adjustments and gains from value adjustments on securities measured as financial assets and of participations and shares in affiliates		–13,861,418.25		1,369
V. RESULT FROM ORDINARY OPERATIONS (= AMOUNT CARRIED FORWARD)		**–478,877.60**		**19,171**

		1-12 2015		1-12 2014
	EUR	EUR	Euro thousand	Euro thousand
V. RESULT FROM ORDINARY OPERATIONS (= AMOUNT CARRIED FORWARD)		**–478,877.60**		**19,171**
13. Extraordinary income		9,500,000.00		2,850
Of which: Withdrawals from the fund for general bank risks	9,500,000.00		0	
14. Extraordinary expenses		0.00		–6,737
Of which: Allocations to the fund for general bank risks	0.00		–6,737	
15. Result from extraordinary items (Subtotal from items 15 and 16)		9,500,000.00		–3,887
16. Income taxes		–2,421,726.12		–2,033
17. Other taxes not shown under item 16		–2,182,341.39		–1,517
VI. ANNUAL RESULT AFTER TAXES		**4,417,054.89**		**11,734**
18. Reduction in net assets through reorganisation		–4,311,239.84		0
19. Movement in reserves		284,386.29		–4,891
Of which: Other retained earnings	0.00		–5,029	
Release of retained earnings	0.00		138	
VII. ANNUAL RESULT		**390,201.34**		**6,843**
20. Profit carried forward		67,593.57		13
VIII. NET PROFIT		**457,794.91**		**6,856**

NOTES FOR THE 2015 BUSINESS YEAR

The prior-year comparatives have been rounded to the nearest thousand euros and are shown in brackets. There may therefore be rounding differences. Because of the transfer of the central organisation (CO) demerged from the former Österreichische Volksbanken-Aktiengesellschaft and the transfer of the banking operations of Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung and Volksbank Obersdorf - Wolkersdorf - Deutsch-Wagram e. Gen., the comparability of the figures for the present business year with the prior year figures is limited.

ACCOUNTING PRINCIPLES

General principles

The annual financial statements of VOLKSBANK WIEN AG have been prepared by the Managing Board in accordance with the provisions of Austrian corporate and banking law. They have been prepared in compliance with generally accepted accounting principles and the general principle of providing a true and fair view of company's financial position and performance.

In general

The primary banks of the Austrian Volksbank sector created a banking association pursuant to section 30a of the Austrian Banking Act (Bankwesengesetz - BWG) in 2012 with the conclusion of the 2012 banking association agreement, to better meet both the economic challenges of a changing market environment and increasing regulatory requirements.

The primary banks of the Austrian Volksbank sector adopted a resolution in autumn 2014 to strategically restructure the Association of Volksbanks, in order to ensure a sustainable Association of Volksbanks retaining its core competency as a regionally rooted financial services provider.

The core element of the restructuring was, firstly, the splitting up of Österreichische Volksbanken-Aktiengesellschaft into a wind-down entity, the transfer of its central organisation duties to Volksbank Wien-Baden AG (now VOLKSBANK WIEN AG) and the conclusion of the 2014 association agreement. The CO function was transferred when the demerger was entered in the Commercial Register on 4 July 2015.

A further core element of the restructuring is the binding creation of a target structure made up of eight regional banks and two specialist banks, to be implemented mainly through mergers of primary banks by 31 December 2017. This structure is intended to enable the Association of Volksbanks to operate on the capital markets over the medium term.

The third core element is the contractual leveraging of maximum potential synergies within the Association of Volksbanks. In particular, previously identified functions within the Association of Volksbanks will now only be performed at a single point for the whole association (and no longer decentrally). Structures and processes within the Association of Volksbanks are also to be simplified. The overall aim is to create sustainable, high-performance regional Volksbanks across the association, to ensure greater success regionally and greater efficiency within the Association of Volksbanks.

The members of the Association of Volksbanks have joint, unlimited liability and have contractually agreed to bear the costs and risks of the CO on a pro rata basis. The ECB approved the Association of Volksbanks as a banking association pursuant to section 30a BWG with VOLKSBANK WIEN AG as the CO ("Association of Volksbanks"). The approval was resolved on 2 July 2015 and is valid up to 30 June 2016. As yet, therefore, no new SREP ratio has been stipulated for the newly approved Association of Volksbanks. The bank's management assumes that the approval will be extended. The management of VOLKSBANK WIEN AG is not currently aware of any issues which indicate that the approval would not be extended or that a further approval would not be granted.

During the 2016 business year, a merger of VOLKSBANK WIEN AG to merge with Volksbank Weinviertel e.Gen. and Volksbank Marchfeld e.Gen. is planned for July, and a merger of VOLKSBANK WIEN AG with Volksbank Südburgenland eG and Volksbank Niederösterreich Süd eG is planned for November.

VOLKSBANK WIEN AG as the central organisation within the meaning of section 30a BWG is part of the banking association (joint liability and liquidity association).

The Association of Volksbanks is required to comply with the regulatory provisions of Parts Two to Eight of Regulation (EU) No 575/2013 and section 39a BWG, on the basis of the consolidated financial position (section 30a (7) BWG). VOLKSBANK WIEN AG is also required to comply with all applicable regulatory provisions on a single entity basis.

Fitch downgraded its rating for the Association of Volksbanks in mid-May 2015. Alongside other Austrian banks, the rating for the Association of Volksbanks was also subject to a review looking at government support. The rating was subsequently downgraded from A to BB. The downgrade had no significant negative impact on the association's liquidity situation.

The Association of Volksbanks was subject to another rating by Fitch at the end of August 2015, because of the departure of Österreichische Volksbanken-Aktiengesellschaft from the Association of Volksbanks and the restructuring of the association. The rating was upgraded from BB- to BB+ with a positive outlook.

The 2015 restructuring agreement between the Republic of Austria ("Austrian government") and VOLKSBANK WIEN AG and others – supplemented by an implementation agreement between VOLKSBANK WIEN AG, the Volksbanks, other shareholders in VOLKSBANK WIEN AG and others – includes provisions for a participation rights issue ("Austrian government's participation right") by VB Rückzahlungsgesellschaft mbH ("VB RZG"), a direct subsidiary of VOLKSBANK WIEN AG. The participation rights were issued to fulfil the commitments made to the Austrian government in order to obtain approval for the restructuring from the European Commission under state aid law.

Dividends paid by VB RZV in respect of the Austrian government's participation rights are at the discretion of VOLKSBANK WIEN AG as the sole shareholder of VB RZG. The Austrian government has no claim to a share of profits under the participation right. The shareholders of VOLKSBANK WIEN AG granted shares in VOLKSBANK WIEN AG to the Austrian government without consideration (25% of the share capital plus one share). The shares were transferred to the Austrian government on 28 January 2016. The Austrian government is obliged to return these shares back to the relevant shareholders without consideration as soon as the total of the payments received by the Austrian government for participation rights and other specified eligible payments reach a certain amount. If the dividends received by the Austrian government in respect of its participation rights and further specified eligible payments (such as any dividends paid with respect to shares held by the Austrian government in VOLKSBANK WIEN AG) do not reach the minimum thresholds set out by certain contractually stipulated reference dates (a “control event”), the government is entitled to full rights to the shares without further consideration and to claim further ordinary shares in VOLKSBANK WIEN AG from the shareholders of VOLKSBANK WIEN AG up to 8% of the share capital of VOLKSBANK WIEN AG without further consideration. In such a case, therefore, up to 33% plus one share of the shares in VOLKSBANK WIEN AG may become (legal and economic) property of the Austrian government, and the government may obtain full rights to this shareholding (excepting the pre-emption right granted). In the case that the pre-emption right granted by the Austrian government is exercised by a buyer designated by VOLKSBANK WIEN AG and the minimum threshold for the total payments in respect of participation rights and other eligible payments is not met, the shareholders of VOLKSBANK WIEN AG have committed to transfer further ordinary shares in VOLKSBANK WIEN AG to the Austrian government as soon as the government gains full rights to the shares and covering the amount of shares previously transferred to the government and the shares acquired by the buyer designated by VOLKSBANK WIEN AG.

In line with its contractual obligations towards the Austrian government, every year VOLKSBANK WIEN AG must submit a proposal to the Volksbanks by 30 November for the total payments to be made by VB RZG in respect of the government's participation right and the necessary contributions to be made by the primary banks towards the total amount (with VOLKSBANK WIEN AG’s contributions being paid directly to VB RZG and those of the Volksbanks being paid indirectly through VOLKSBANK WIEN AG). The cost borne by VOLKSBANK WIEN AG is based on the share of its retail segment in the Association of Volksbanks (total assets per UGB/BWG).

Accounting Principles

The annual financial statements have been prepared in compliance with the principle of completeness. Assets and liabilities have been measured based on the principle of individual measurement and the going concern principle.

The classification of the items on the statement of financial position and the income statement is unchanged from the prior year.

In line with the principle of prudence, only gains that had actually been realised as at the reporting date have been reported. All recognisable risks and expected losses arising in the 2015 business year or in a previous business year were taken into account, if known.

Loans and advances to credit institutions and loans and advances to customers were recognised at nominal value.

Individual value adjustments and provisions have been established for recognisable risks relating to borrowers. As in the previous year, the option under section 57 (1) of the Austrian Banking Act was not exercised.

Amounts in foreign currencies were translated at the average exchange rates on the balance sheet date. The currency portfolios were translated at the average exchange rate.

The criterion for a security to be reported under non-current assets is the intention for it to be held in the portfolio over the long term. Securities used for long-term operations were measured as non-current assets, while securities held as current assets were measured at the lower of cost or market. The option set out in section 204 (2) of the Austrian Commercial Code (Unternehmensgesetzbuch - UGB) was also exercised for financial assets not permanently written down.

An annual valuation assessment is carried out for all of VOLKSBANK WIEN AG's major participations. Ad-hoc assessments are also undertaken if a company or a holding's investments perform poorly. This entails calculating the value of the participation based on the budgeted numbers using the discounted cash flow method or the discounted earnings method and comparing it with the current carrying value. The discount rate is determined based on the latest comparable data. If insufficient information is available to undertake a discounted cash flow valuation, further procedures are performed to review the valuations. Any negative difference is treated pursuant to the measurement principles set out in the Austrian Commercial Code and Austrian Banking Act. If the value of a participation rises again following an impairment, it is written back up to its current value, but no higher than its historical cost.

Tangible non-current assets (land, buildings and office furniture and equipment) were measured at cost less depreciation. Depreciation/amortisation is on a straight-line basis. Buildings are depreciated over a period of 10 to 66 years, and office furniture and equipment over 3 to 20 years. Intangible assets are amortised over a period of 2 to 5 years. Unscheduled write-downs of tangible non-current assets are undertaken where assets are estimated to be permanently impaired.

A full year's depreciation/amortisation applies for additions in the first half of the business year, while half a year's depreciation/amortisation applies for additions in the second half of the year. Low-value assets with an individual cost of up to euro 400.00 are depreciated in full in the year of acquisition and reported under additions and disposals in the movement in non-current assets schedule.

Obligations arising from the banking business are recognised at the redemption amount on the balance sheet date.

Trustee savings deposits totalled euro 8,556,488.94 (31 December 2014: euro 7,851k) as at the balance sheet date. The cover reserve for these deposits consists of low-risk, eligible securities and totals euro 11,353,258.82 (31 December 2014: euro 15,405k).

Issuing costs, commissions for additional contributions, premiums and discounts for debts evidenced by certificates are spread over the term of the liabilities.

A pension fund contract has been in place with VICTORIA-VOLKSBANKEN Pensionskassen AG since 1996.

The discount rate for pension, long-term service bonus and severance payment obligations has been reduced from 2.25% to 2.00%, in line with actuarial principles. In 2014, Österreichische Volksbanken-Aktiengesellschaft measured severance and pension obligations in accordance with IAS 19 (projected unit credit method). Following the transfer of the central organisation to VOLKSBANK WIEN AG, the obligations for the demerged organisation are now measured using the entry age normal method in accordance with the expert opinion of the Institute for Business Administration, Taxation and Organisation of the Austrian Chamber of Accountants and Tax Consultants (KFS/RL2). With regard to Austrian Financial Reporting and Auditing Committee (AFRAC) Opinion 27 "Personnel Provisions (UGB)", the expected impact of around 15% on earnings has already been anticipated as at 31 December 2015.

Severance provisions were calculated on the basis of generally accepted actuarial principles using the prospective entry age normal method and a discount rate of 2%. It is assumed that men will retire at the age of 65 years and women at the age of 60 years.

The net reversal of the pension, long-term service bonus and severance payment provision of euro 4,074,237.12 is primarily due to the change in measurement methodology for the former employees of Österreichische Volksbanken-Aktiengesellschaft from IFRS to the UGB entry age normal method as mentioned above. The amount of the pension provision allowable for tax purposes stands at euro 4,741,870.00 (31 December 2014: 4,249k); the amount of the pension provision taxed is euro 1,841,796.81 (31 December 2014: euro 1,188k).

In accordance with the projected unit credit method, provisions for employee benefits are calculated on the basis of generally recognised actuarial principles at the present value of the overall entitlement and additional entitlements earned in the reporting period. For severance payments, this procedure takes into account retirement due to reaching pensionable age, disability or death, as well as the vested rights of surviving dependants.

In measuring existing obligations for employee benefits, assumptions are made regarding discount rate, pensionable age, life expectancy and salary increases. These parameters are as follows:

	UGB 2015	UGB 2014
Discount rate: pensions	2.00%	2.25%
Discount rate: severance payments	2.00%	2.25%

Cases of death or occupational incapacity have been taken into account; no further fluctuation discounts have been applied.

The biometric actuarial assumptions of the latest tables published by Pagler & Pagler for calculating pension insurance for salaried employees in Austria are applied as the basis of calculation (AVÖ 2008-P-Rechnungsgrundlagen für die Pensionsversicherung - Pagler & Pagler, Angestelltenbestand). The current retirement age limits are generally applied in these calculations. It is assumed that, as a rule, men will retire at the age of 65 years and women at the age of 60 years. Any transitional arrangements are disregarded. Pension obligations comprise claims of employees who were in active service as at the reporting date, as well as the entitlements of current pension recipients. These entitlements are defined in special agreements and in the Articles of Association, and they represent legally binding and irrevocable claims.

The company has a provision for long-term service bonuses. The provision was calculated in accordance with actuarial principles with a discount rate of 2.00% (31 December 2014: 2.25%). Cases of death or occupational incapacity have been taken into account; no further fluctuation discounts have been applied.

A provision for the redundancy programme was first established in the annual financial statements as at 31 December 2015.

Other provisions were recognised in the amount of expected future claims, taking into account all recognisable risks and liabilities the amount of which is not yet certain.

The option under section 198 (10) of the Austrian Commercial Code was exercised. Deferred tax assets qualifying for capitalisation and recognised on the balance sheet total euro 3,550,000.00 as at 31 December 2015 (31 December 2014: euro 5,755k). These result primarily from the difference between the value of participations and investments in affiliates under commercial law and their tax base.

The nominal values of off-balance sheet transactions are reported under off-balance sheet items. Provisions are established if they are likely to be utilised.

Accounting policies for derivative financial instruments

Derivative financial instruments in the investment book

For interest rate swaps, interest is accrued pro rata up to the balance sheet date.

Foreign exchange forwards and currency swaps are measured at the average rate of exchange. The swap rate is accrued on a straight-line basis over the term of the swap.

Payments from forward rate agreements to hedge the investment book are accrued over the term of the agreements.

The provisions on accounting under corporate law of the Austrian Financial Reporting and Auditing Committee (AFRAC) Opinion "Accounting for Derivatives and Hedging Instruments under Corporate Law" from September 2014 are applied. Interest rate risks are hedged exclusively with micro-hedges. Provisions have been established for derivatives with negative market values, where the positions were open and there was no effective hedging relationship.

Derivative financial instruments in the trading book

Derivative financial instruments in the trading book comprise trading positions of futures, options, interest rate swaps, forward rate agreements, swaptions, caps/floors/collars and currency options traded on the stock exchange. They are measured at market value, and the valuation result is recognised in profit or loss.

EXPLANATORY NOTES ON ITEMS IN THE STATEMENT OF FINANCIAL POSITION

Breakdown of loans and advances to and balances with credit institutions and loans and advances to customers not due on demand:

Remaining term	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
up to 3 months	955,663,382.61	105,075
3 months to 1 year	577,840,753.02	255,729
1 year to 5 years	2,515,506,838.91	664,893
more than 5 years	1,959,514,719.62	1.314,923

Loans and advances to affiliates and companies in which the company has a participating interest:

	31 Dec 2015		31 Dec 2014	
	to affiliates Euro	to participations Euro	to affiliates Euro thousand	to participations Euro thousand
Loans and advances to credit institutions	0.00	764,570,459.37	0	764,701
Loans and advances to customers	45,816,392.76	54,470,187.15	2,045	1
Bonds and other fixed-income securities	0.00	0.00	0	2,146
Shares and other variable-yield securities	0.00	1,924,765.94	0	0
	45,816,392.76	**820,965,412.46**	**2,045**	**766,847**

Breakdown of securities, participations and shares in affiliates admitted to stock exchange trading within items 2, 5, 6, 7 and 8 on the statement of financial position into listed and non-listed securities:

	Listed Euro	Non-listed Euro
Debt instruments issued by public bodies and similar securities	956,058,462.37	0.00
Bonds and other fixed-income securities	1,160,490,602.15	0.00
Shares and other variable-yield securities	9,922,872.97	42,445,847.53
Participations	0.00	0.00
Shares in affiliates	0.00	0.00

As at 31 December 2015, VOLKSBANK WIEN AG holds own supplementary capital with a carrying value of euro 275,210.00 within assets (31 December 2014: euro 288k), own subordinated capital with a carrying value of euro 157,000.34 (31 December 2014: euro 250k) and own bonds with a carrying value of euro 807,112,000.00 (31 December 2014: euro 0k).

Breakdown of securities admitted to stock exchange trading within items 2, 5 and 6 on the statement of financial position into current and non-current assets:

	Non-current assets Euro	Current assets (incl. trading book) Euro
Debt instruments issued by public bodies and similar securities	836,216,786.77	119,841,675.60
Bonds and other fixed-income securities	352,798,698.15	807,691,904.00
Shares and other variable-yield securities	9,824,561.40	98,311.57

The Asset Liability Committee assigns assets to current or non-current assets.

The difference between cost and market value for securities admitted to stock exchange trading not held as non-current assets (current assets excluding trading book), where market value is greater than cost, is euro 17,966,370.39 as at 31 December 2015 (31 December 2014: euro 0k).

Other disclosures regarding securities

Write-ups of euro 278.45 (31 December 2014: euro 0k) were not recorded for securities within current assets. The amount of the potential future tax expense arising from the write-ups not recorded is euro 69.61 (31 December 2014: euro 0k).

The difference between the cost and redemption value of securities held as non-current assets, written down pro rata temporis over the remaining term, is euro 10,662,225.64 (31 December 2014: euro 1,923k).

The difference between the cost and redemption value of securities held as non-current assets, written up pro rata temporis over the remaining term, is euro 18,952,278.71 (31 December 2014: euro 0k).

There was no unscheduled write-down on the following securities held as non-current assets whose reported value exceeded fair value, as it was assumed that they are intended to be held, will be fully serviced and will retain their value. As in the 2014 business year, in the 2015 business year there were no breaches of contract or delays in payment due to substantial financial difficulties being faced by issuers.

	31 Dec 2015 Market value in Euro	31 Dec 2015 Carrying value in Euro	31 Dec 2015 Difference in Euro
Debt instruments issued by public bodies and similar securities	6,739,460.00	6,759,838.76	–20,378.76
Loans and advances to credit institutions	2,150,108.71	2,412,899.39	–262,790.68
Bonds and other fixed-income securities	78,980,212.50	79,683,811.82	–703,599.32
Shares and other variable-yield securities	828,082.22	921,329.46	–93,247.24
	88,697,863.43	**89,777,879.43**	**–1,080,016.00**

	31 Dec 2014 Market value in Euro	31 Dec 2014 Carrying value in Euro	31 Dec 2014 Difference in Euro
Bonds and other fixed-income securities	799,750.00	806,525.00	6,775.00
Shares and other variable-yield securities	4,658.35	5,412.21	753.93
	804,408.28	**811,937.21**	**7,528.93**

The security positions affected by inactive markets are mostly allocated to non-current assets and are subject to periodic impairment reviews.

Market values provided by external sources are checked for plausibility on an ongoing basis using available market data. If estimates differ, the market valuation is adjusted by reference to prior transactions, comparison with the current fair values of other instruments that are substantially the same or by the discounted cash flow method. Overall, market values adjusted in this way are immaterial.

As in the previous year, there were no genuine repurchase transactions in the 2015 business year.

The bank has maintained a trading book since 2015, which was taken over with the merger of the central organisation from Österreichische Volksbanken-Aktiengesellschaft. The trading book comprises securities with a market value of euro 14,466,744.29 (31 December 2014: euro 0k) and other financial instruments with a market value, including accrued interest, of euro -284,529,949.67 (31 December 2014: euro 0k).

In 2015, no securities were reclassified from non-current to current assets.

Subordinated assets:

	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
Loans and advances to credit institutions	4,444,409.98	0
Loans and advances to customers	791,128.34	0
Bonds and other fixed-income securities	251,762.17	800
	5,487,300.49	**800**

Participations and shares in affiliates

Breakdown of significant participations and shares in affiliates:

Company name	Share %	Financial statements	Total equity Euro thousand	Annual result Euro thousand
VB Beteiligungsgenossenschaft Obersdorf-Wolkersdorf-Deutsch-Wagram eG, 2120 Obersdorf, Hauptstraße 57	30.54%	31 Dec 2014	9,270	866
Volksbank Südburgenland eG, 7423 Pinkafeld, Marktplatz 3	20.71%	31 Dec 2014	18,842	124
Volksbank Eferding - Grieskirchen registrierte Genossenschaft mit beschränkter Haftung, 4070 Eferding, Schmiedstraße 12	24.98%	31 Dec 2014	9,532	199
Volksbank Gewerbe- und Handelsbank Kärnten eGen, 9020 Klagenfurt am Wörthersee, Pernhartgasse 7	32.00%	31 Dec 2014	45,704	–73
Wiener Landwirtschaftliche Siedlungsgesellschaft mit beschränkter Haftung, 1220 Vienna, Kagraner Platz 48	33.33%	31 Dec 2014	216	0
ARZ Allgemeines Rechenzentrum GmbH, 6020 Innsbruck, Tschamlerstraße 2	25.99%	31 Dec 2014	8,620	66
Volksbanken - Versicherungsdienst - Gesellschaft m.b.H., 1071 Vienna, Lindengasse 5	23.01%	31 Dec 2014	3,693	293
ARZ-Volksbanken Holding GmbH, 1090 Vienna, Kolingasse 14-16	72.60%	30 June 2015	237	0
Immo-Contract Baden Maklergesellschaft m.b.H., 2500 Baden bei Wien, Hauptplatz 9-13	100.00%	31 Dec 2015	383	120
VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H., 1010 Vienna, Schottengasse 10	99.50%	31 Dec 2014	1,620	41
UVB-Holding GmbH, 1090 Vienna, Kolingasse 14-16	100.00%	31 Dec 2014	19	–3
VOME Holding GmbH, 1090 Vienna, Kolingasse 14-16	100.00%	31 Dec 2014	427	80
Verwaltungsgenossenschaft der IMMO-BANK eG, 1016 Vienna, Stadiongasse 10	88.86%	30 June 2015	7,248	909
VB Services für Banken Ges.m.b.H., 1090 Vienna, Kolingasse 14-16	98.89%	31 Dec 2014	2,435	997
VB ManagementBeratung GmbH, 1090 Vienna, Kolingasse 14-16	100.00%	31 Dec 2014	464	102
VBKA-Holding GmbH, 1090 Vienna, Kolingasse 14-16	100.00%	31 Dec 2014	36	–2
3V-Immobilien Errichtungs-GmbH, 1090 Vienna, Kolingasse 14-16	99.00%	31 Dec 2014	8,410	–160
Gärtnerbank Immobilien GmbH, 1220 Vienna, Kagraner Platz 48	99.00%	31 Dec 2015	174	35
GB IMMOBILIEN Verwaltungs- und Verwertungs-GmbH, 1220 Vienna, Kagraner Platz 48	99.00%	31 Dec 2015	4,261	4,236
VOBA Vermietungs- und Verpachtungsges.m.b.H., 2500 Baden, Hauptplatz 9-13	99.00%	31 Dec 2015	6,055	293
VB Rückzahlungsgesellschaft mbH, 1010 Vienna, Schottengasse 10	100.00%	founded 19 June 2015	35	not known

Relationships to affiliated companies

VOLKSBANK WIEN AG has been the head of a corporate group as defined by section 9 of the Corporation Tax Law (KStG) since 2010. The stand-alone method was applied, which assumes the fiscal independence of individual Group members when calculating the tax allocation. Furthermore, the tax liability of Group members must be paid to VOLKSBANK WIEN AG as of 30 September of the following year. Tax receivables are either carried forward by VOLKSBANK WIEN AG in years when the Group makes a profit, or the Group member can offset its tax receivables against tax liabilities in subsequent years. Tax receivables are offset using the present value of the (notional) future tax saving arising from as yet unused loss carryforwards of the given Group member. Loss carryforwards are discounted based on an appropriate interest rate tied to the 12-month EURIBOR or, if this is no longer available, a comparable benchmark interest rate. All Group allocation agreements concluded from the 2015 business year onwards provide for an allocation rate of 6.25% due to the existing loss carryforwards.

As at 31 December 2015, there were 8 Group members (31 December 2014: 5). During the 2015 business year, there were three additions to the corporate group pursuant to section 9 KStG.

A profit and loss transfer agreement is in place under civil law with the following company.
The table shows the profit and loss transfers:

	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
VVG Vermietung von Wirtschaftsgütern Gesellschaft m.b.H.	11,815.58	41

Non-current assets

Land and buildings have a base value of euro 12,135,973.50 (31 December 2014: euro 10,564k). Please refer to Appendix 1 for details on the movement in non-current assets.

Breakdown of other assets:

	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
Receivables - derivative financial instruments	458,453,233.13	0
Auxiliary accounts - administration	20,974,084.93	6,217
Auxiliary accounts - banking business	2,199,971.48	4,684
Land and buildings acquired as collateral for loans and advances	897,408.88	800
	482,524,698.42	**11,701**

The "other assets" item contains income of euro 37,751,438.92 (31 December 2014: euro 0k) for which payment will not be received until after the balance sheet date. This relates primarily to deferred interest.

The other assets item includes items with terms of more than one year amounting to euro 1,929,775.68 (31 December 2014: euro 1,609k).

Breakdown of amounts owed to credit institutions and customers not due on demand:

Remaining term	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
up to 3 months	578,933,379.58	337,470
3 months to 1 year	649,287,615.12	438,972
3 months to 1 year	462,743,596.38	563,528
more than 5 years	81,108,853.72	33,693

Amounts owed to affiliates and companies in which the company has a participating interest:

	31 Dec 2015 to affiliates Euro	31 Dec 2015 to participations Euro	31 Dec 2014 to affiliates Euro thousand	31 Dec 2014 to participations Euro thousand
Amounts owed to credit institutions	0.00	2,221,909,685.26	0	56,439
Amounts owed to customers	19,319,546.86	19,413,074.81	4,752	212
Debts evidenced by certificates	0.00	1,075,000.00	0	8
Subordinated liabilities	0.00	100,000.00	0	100
	19,319,546.86	**2,242,497,760.07**	**4,752**	**56,759**

Breakdown of other liabilities:

	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
Liabilities - derivative financial instruments	570,753,091.89	0
Deferred interest	36,881,318.63	154
Liabilities for taxes and duties	5,494,571.05	2,330
Other liabilities	7,007,589.58	3,947
	620,136,571.15	**6,430**

The "other liabilities" item contains significant expenses of euro 79,090,861.35 (31 December 2014: euro 154k) which will not be paid until after the balance sheet date. This consists mainly of deferred interest.

Other liabilities (excluding market values of derivative financial instruments) includes items with terms of less than one year amounting to euro 90,592,972.83 (31 December 2014: euro 6,353k).

Provisions for deferred taxes

As in the previous year, there was no need to establish a provision for deferred tax liabilities in the 2015 business year.

Other provisions

Other provisions includes provisions for the following obligations:

	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
for impending losses from derivative financial instruments	26,513,313.46	0
for restructuring (redundancy programme, transformation)	12,108,167.24	0
for losses and risks from granting and guaranteeing loans	13,395,160.93	7,415
for outstanding purchase invoices	7,159,057.01	63
for long-term service bonuses	4,336,340.44	1,707
for untaken leave	4,292,070.16	1,973
Effect of AFRAC transition	3,900,000.00	0
for other obligations	21,070,447.33	3,439
	92,774,556.57	**14,597**

Other obligations include provisions of euro 10,040,000.00 (31 December 2014: euro 0k) for the share in the repayment of benefits borne by VBW pursuant to the 2014 restructuring agreement.

Equity

The share capital of VOLKSBANK WIEN AG was euro 56,454,375.00 as at 31 December 2014 and comprised 602,180 shares.

The Annual General Meeting of 29 May 2015 resolved the demerger to absorb part of the assets of and transfer the central organisation and central institution function of Österreichische Volksbanken-Aktiengesellschaft (Commercial Register number FN 116476p) pursuant to the spin-off and transfer agreement of 1 June 2015.

The Annual General Meeting of 29 May 2015 resolved to increase share capital by euro 2,193,750.00 in order to implement the demerger and transfer of the central organisation and central institution function of Österreichische Volksbanken-Aktiengesellschaft.

The Annual General Meeting of 29 May 2015 also resolved and implemented a further capital increase of euro 35,440,781.25.

The share capital of VOLKSBANK WIEN AG was euro 94,088,906.25 as at 4 July 2015 and comprised 1,003,615 shares.

The banking business of Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung (FN 96052d) was transferred to VOLKSBANK WIEN AG by universal succession pursuant to section 92 BWG through a transfer and contribution in kind agreement of 7 August 2015. In connection with this, the Annual General Meeting of 7 August 2015 resolved and implemented a capital increase of euro 11,105,531.25.

The banking business of Volksbank Obersdorf - Wolkersdorf - Deutsch-Wagram e. Gen. (FN 53552d) was also transferred to VOLKSBANK WIEN AG by universal succession pursuant to section 92 BWG through a transfer and contribution in kind agreement of 7 August 2015. In connection with this, the Annual General Meeting of 7 August 2015 resolved and implemented a further capital increase of euro 2,282,812.50.

The share capital of VOLKSBANK WIEN AG is euro 107,477,250.00 as at 31 December 2015 and comprises 1,146,424 shares.

As at 31 December 2015, the following shareholders held an interest in the share capital:

	Euro thousand	%
Volksbanks	46,509	43.26
VB Wien Beteiligung eG	19,039	17.71
VB Baden Beteiligung e.Gen.	14,742	13.72
VB Ost Verwaltung eG	11,786	10.97
start:bausparkasse e.Gen.	3,934	3.66
IMMO-Bank Aktiengesellschaft	2,978	2.77
VB Beteiligungsgenossenschaft Obersdorf-Wolkersdorf-Deutsch-Wagram eG	2,371	2.21
Verwaltungsgenossenschaft Gärtnerbank e.Gen.	1,714	1.60
Free float	4,404	4.10
Total	**107,477**	**100.00**

Provisions against a specific liability pursuant to section 57 (5) BWG

Provisions against a specific liability total euro 35,877,671.37 (31 December 2014: euro 35,878k) as at 31 December 2015.

Subordinated liabilities and supplementary capital issued

Conditions for the subordinated liabilities and supplementary capital issued as at 31 December 2015 are as follows:

ISIN	NAME	Nominal value	Currency	Interest rate as at 31 december	Redemption	Continous issue	Right of termination	Condition of subordination	Conversion into equity
QOXDBA000383	ERG.KAP.SCHV. 2007-2022	4,000,000	euro	4%	1 Dec 2022	yes	issuer	Art. 63 ff CRR	no
AT0000A09SS0	FRN ERGÄNZUNGSKAPITALANL. 2008-2018	2,735,000	euro	0.46%	16 June 2018	yes	imposible	Art. 63 ff CRR	no
AT0000A05QZ7	VAR. ERG.KAP. SCHULDV. 2007-2019	792,000	euro	no listing	16 July 2019	yes	imposible	Art. 63 ff CRR	no
QOXDB4408833	€ 4,244,000,– Partizipations-schein-Emission 2006	6,744	qty	no listing	perpetual	no	imposible	Art. 63 ff CRR	no
QOXDB4449050	4.25% Nachrangkapital-Bank-schulverschreibung 2002-2017 mit variabler Verzinsung	5,000,000	euro	3.00%	27 Feb 2017	yes	issuer	Art. 63 ff CRR	no
QOXDBA032238	3.50 % Volksbank Wien-Baden AG Nachrangige Tier 2 Anleihe 2014-2022	600,000	euro	3.50%	1 Dec 2022	no	imposible	Art. 63 ff CRR	no
QOXDB9961364	3% Variable Nachrangkapital - Bankschuldverschreibung 2003-2018	5,000,000	euro	3.00%	25 Aug 2018	yes	issuer	Art. 63 ff CRR	no
QOXDB4409005	€ 350,000,– Partizipations-schein-Emission 2006	260	qty	no listing	perpetual	no	imposible	Art. 63 ff CRR	no

Untaxed reserves

Movement in the revaluation reserve during the business year was as follows:

	Balance 1 Jan 2015	Addition through reorganisation	Release / utilisation	Balance 31 Dec 2015
Securities held as non-current assets	331,226.99	0.00	0.00	331,226.99
Participations	8,717.17	0.00	0.00	8,717.17
Shares in affiliates	865,961.93	0.00	0.00	865,961.93
Fixed assets	670,998.95	107,485.00	284,386.29	494,097.66
TOTAL	**1,876,905.04**	**107,485.00**	**284,386.29**	**1,700,003.75**

The tax-exempt training allowance of euro 28,625.77 was also released, meaning that in total euro 313,012.06 was released from untaxed reserves.

The release of untaxed reserves established in the previous year led to additional income taxes of euro 71,096.57 (31 December 2014: euro 27k) for the business year.

Breakdown of contingent liabilities:

	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
Sureties and guarantees	408,321,237.74	89,195
Provision of collateral	13,280,100.00	115,023
Guaranteed amounts of members	61,936,447.83	22,898
Letters of credit	1,690,036.97	788
Less: Provisions	–5,236,648.11	–765
	479,991,174.43	**227,140**

Breakdown of credit risks:

	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
Loan commitments	7,804,673,646.57	325,302

Legal risks arising from the demerger and transfer of the central organisation function to VOLKSBANK WIEN AG

In accordance with the spin-off and transfer agreement of 1 June 2015 (the "demerger agreement"), VOLKSBANK WIEN AG took over the central organisation and central institution function from Österreichische Volksbanken-Aktiengesellschaft (now immigon portfolioabbau ag, "immigon").

Claims were filed against immigon following the demerger. VOLKSBANK WIEN AG is a co-defendant in these actions in accordance with section 15 (1) of the Austrian Demerger Act (Spaltungsgesetz - SpaltG); VOLKSBANK WIEN AG's liability is limited to the amount of the net assets (within the meaning of section 15 (1) SpaltG) taken over through the demerger. The total amount in dispute from the actions pursuant to section 15 (1) SpaltG is euro 13,530,845.96.

Actions have also been brought against immigon and VOLKSBANK WIEN AG for provision of security (section 15 (2) SpaltG) for total liabilities of euro 94,785.177.40. The demand for provision of security presupposes a risk that the relevant claim will not be met because of the demerger. VOLKSBANK WIEN AG does not see any such risk, among other reasons based on the report provided by an independent, court-appointed expert auditor during the demerger. VOLKSBANK WIEN AG has joint and several, unlimited liability for these liabilities from the point at which the legal claim for provision of security is filed until security is provided or the claim is dismissed (section 15 (3) SpaltG).

The liabilities which the claims for damages and security relate to are allocated to immigon by the demerger agreement. The demerger agreement expressly requires immigon to fully indemnify VOLKSBANK WIEN AG against all liability if any claim should be brought against VOLKSBANK WIEN AG itself. Based on immigon's published quarterly report for 30 September 2015, VOLKSBANK WIEN AG assumes that immigon is able to service its liabilities. If, however, VOLKSBANK WIEN AG were faced with any economic burden, it would not bear it by itself. In accordance with agreements made in the Association of Volksbanks, any liability would be borne on a pro rata basis with the other members of the Association of Volksbanks.

Breakdown of liabilities from trustee business

As at 31 December 2015, liabilities amounting to euro 108,776,519.68 (31 December 2014: euro 2,752k) were reported under liabilities from trustee business.

Additional disclosures

List of assets held as security for liabilities:

	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
Assets pledged as collateral		
Loans and advances to credit institutions	13,280,100.00	13,280
Loans and advances to customers	1,745,550,978.17	101,743
Debt instruments issued by public bodies, bonds and other fixed-income securities	43,849,751.98	0
	1,802,680,830.15	**115,023**
Assets were pledged as collateral for the following liabilities		
Amounts owed to credit institutions	80,979,423.93	101,743
Debts evidenced by certificates	1,708,421,306.22	0
Guarantees	13,280,100.00	13,280
	1,802,680,830,15	**115,023**

Assets pledged as collateral included the cover reserve for covered bonds amounting to euro 1,708,421,306.22 (31 December 2014: 1,476,644k).

The total amount of obligations from the use of fixed assets not reported on the balance sheet is euro 8,734,494.04 (31 December 2014: euro 4,016k) for the following business year, of which euro 3,805,046.76 relates to affiliates, and euro 42,282,960.20 (31 December 2014: euro 20,080k) for the following five business years, of which euro 19,025,233.80 (31 December 2014: euro 0k) relates to affiliates.

In 2016, receivables from bonds and other fixed-income securities of euro 53,617,877.02 (in 2014 for 2015: euro 6,959k) will mature.

No issued bonds will mature in the 2016 business year (in 2014 for 2015: euro 0k).

Total amount of assets and liabilities denominated in foreign currencies:

	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
Assets denominated in foreign currencies	1,590,738,013.99	283,217
Liabilities denominated in foreign currencies	235,296,242.57	76,062

Return on capital employed

In accordance with section 64 (1) (19) BWG as published in Federal Law Gazette I 2014/184, the return on capital employed is 0.04% (2014: 0.34 %). In accordance with the BWG, return on capital employed is calculated as annual result after taxes divided by total assets as at the reporting date.

Capital requirement pursuant to Article 92 (1) points (a) to (c) of Regulation (EU) No 575/2013

Due to its assumption of the central organisation function pursuant to section 30a BWG, VOLKSBANK WIEN AG is subject to the external capital requirements in line with the European Union's CRD IV and CRR (Basel III) at the single-entity level.

Pursuant to Article 92 CRR, VOLKSBANK WIEN AG must fulfil the following capital requirements at all times:
a) a Common Equity Tier 1 capital ratio of 4.5%,
b) a Tier 1 capital ratio of 6.0%, and
c) a total capital ratio of 8.0%.

The total amount of risk exposure pursuant to Article 92 (3) CRR is euro 2,755,247,993.11.

The capital ratios are calculated as follows:
a) the Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount; calculated accordingly, the Common Equity Tier 1 capital ratio for VOLKSBANK WIEN AG is 11.90%,
b) the Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount; calculated accordingly, the Tier 1 capital ratio for VOLKSBANK WIEN AG is 11.90%, and
c) the total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount; calculated accordingly, the total capital ratio for VOLKSBANK WIEN AG is 12.85%.

As at 31 December 2015, VOLKSBANK WIEN AG's eligible capital pursuant to Part Two of Regulation (EU) No 575/2013 (CRR) amounted to euro 353,988,612.78 and was as follows:

	31 Dec 2015 Euro	31 Dec 2014 Euro thousand
Tier 1 capital		
Common Equity Tier 1 capital		
Share capital	107,477,250.00	56,454
Participation capital, Art. 484, 486 CRR	7,004,000.00	14,195
Open reserves	217,781,015.59	105,492
Fund for general bank risks per section 57 (3) BWG	0.00	9,500
Retained earnings	67,593.57	0
	332,329,859.16	**185,641**
Less:		
Deduction pursuant to Art. 36 (1) (b) CRR Intangible assets	–4,435,650.30	–10
	–4,435,650.30	**–10**
	327,894,208.86	**185,632**
Supplementary capital (Tier 2)		
Supplementary capital (item 2.7)	20,131,000.00	30,726
Supplementary capital (item 2.3)	2,601,665.75	3,652
General credit risk adjustment (hidden reserves per section 57 (1) BWG)	16,070,754.88	6,200
Participation certificates eligible as equity	0.00	3,549
	38,803,420.63	**44,127**
Less:		
Own supplementary capital instruments	–246,794.25	–403
Correcting item for ineligible equity	–12,462,222.46	–21,352
	–12,709,016.71	**–21,755**
	26,094,403.92	**22,372**
Eligible capital pursuant to Part Two of the CRR	**353,988,612.78**	**208,004**

Please refer to the consolidated financial statements of VOLKSBANK WIEN AG for the breakdown of consolidated eligible capital.

Disclosures in accordance with section 237a of the Austrian Commercial Code

Investment book

For items in the investment book, VOLKSBANK WIEN AG is subject to the risk of market value fluctuations due to interest rate and currency movements.

VOLKSBANK WIEN AG makes significant use of derivative financial instruments to hedge these economic risks and manage the balance sheet structure. Interest rate swaps are used as primary hedging instruments for the bank's in-house fixed-interest issues and to hedge against fluctuations in the market value of investments in fixed-income securities as well as loans and advances to customers.

The interest rate and currency risks of loans and advances and amounts owed to banks and customers and of issues denominated in foreign currencies are also hedged using cross currency swaps, foreign exchange forwards, foreign exchange swaps and, in exceptional cases, foreign exchange options.

Hedging instruments in the investment book are generally concluded directly with the counterparty. These are transferred to the trading book in a few exceptional cases.

VOLKSBANK WIEN AG applies the provisions of the AFRAC Opinion "Accounting for Derivatives and Hedging Instruments under Corporate Law" from September 2014 for portfolio hedge accounting. The portfolio hedges established in accordance with this opinion cover in-house fixed-interest issues as well as loans and advances to and amounts owed to credit institutions and customers. The only hedging instruments used in this context are interest rate swaps, caps, floors and cross currency swaps. The hedge is based on the entire term of the underlying transaction.

The retrospective effectiveness of the portfolio hedges is measured exclusively with the dollar-offset method (in which the changes in value of the underlying and hedging transactions attributable to the hedged risk are correlated).

Derivatives in the investment book for hedging purposes are measured at cost. Any premiums are capitalised as assets or liabilities and taken to profit and loss at the end of the term. Interest is recognised on a pro rata temporis basis. A corresponding provision is established for the negative difference between positive and negative market values.

Provisions are established for negative market values from derivatives in the investment book that are not allocated to any portfolio hedge and ineffective components of portfolio hedges at their negative market value less capitalised premiums and deferrals.

Trading book

The trading book includes all financial assets acquired with a view to short-term sale.

Market risks in trading are managed and monitored by the independent department of Strategic Risk Management.

Financial instruments in the trading book are recognised and measured at market value.

Determining market value

Market value is the amount at which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. In the case of listed financial instruments, market value equates to market price. If no market price is available, the future cash flows of a financial instrument are discounted to the valuation date with the relevant interest rate curve. Standard international actuarial procedures are used for the calculations.

VOLKSBANK WIEN AG has mapped all trading book positions in a MUREX front office and risk management system, which is directly linked to various price information systems. This means that the market prices for various products are updated in real time. Products that do not have a direct price are valued with valuation models using market data (market risk factors) in this standard software. Structured or exotic products whose model prices cannot be calculated in the standard software are valued using external price calculators which are regularly recalibrated with liquid products tradable on the market.

Negative interest rates

Due to the trend of money market interest rates towards negative reference rates, interest income (negative interest expenses) of euro 18,880,249.90 and interest expenses (negative interest income) of euro 3,896,331.27 were realised in the 2015 business year. The negative interest expenses were recognised in the item interest and similar income within other assets, and the negative interest income was recognised within the item interest and similar expenses within amounts owed to credit institutions.

This table contains information on derivative financial instruments (market value including deferred interest):

TOTAL **31 Dec 2015**

Euro thousand	up to 1 year	1-5 years	more than 5 years	Total
INTEREST RATE RELATED TRANSACTIONS	**523,623**	**1,424,551**	**2,994,639**	**4,942,813**
Caps&Floors	355,953	431,400	592,735	1,380,088
FRA's	0	0	0	0
Interest Futures	0	0	0	0
IRS	157,669	932,251	2,381,904	3,471,825
Swaptions	10,000	60,900	20,000	90,900
EXCHANGE RATE RELATED TRANSACTIONS	**1,372,766**	**1,727,545**	**236,599**	**3,336,911**
Cross Currency Swaps	367,397	1,720,046	236,599	2,324,042
Foreign exchange options	0	0	0	0
Foreign exchange transactions/FX SWAPS	1,005,369	7,500	0	1,012,868
CREDIT RELATED TRANSACTIONS	**20,000**	**9,185**	**0**	**29,185**
Credit Default Swaps – long positions	20,000	9,185	0	29,185
Credit Default Swaps – short positions	0	0	0	0
OTHER TRANSACTIONS	**18,463**	**19,607**	**472,412**	**510,483**
Index-, FX- and Commodity Futures	0	0	461,037	461,037
Options	18,463	19,607	11,375	49,446
TOTAL	**1,934,852**	**3,180,889**	**3,703,651**	**8,819,391**
of which internal				

TRADING BOOK **31 Dec 2015**

Euro thousand	up to 1 year	1-5 years	more than 5 years	Total
INTEREST RATE RELATED TRANSACTIONS	**485,954**	**1,302,860**	**2,531,306**	**4,320,119**
Caps&Floors	355,953	431,400	592,735	1,380,088
FRA's	0	0	0	0
Interest Futures	0	0	0	0
IRS	120,001	810,560	1,918,571	2,849,131
Swaptions	10,000	60,900	20,000	90,900
EXCHANGE RATE RELATED TRANSACTIONS	**0**	**15,295**	**14,870**	**30,165**
Cross Currency Swaps	0	15,295	14,870	30,165
Foreign exchange options	0	0	0	0
Foreign exchange transactions/FX SWAPS	0	0	0	0
OTHER TRANSACTIONS	**0**	**0**	**0**	**0**
Index-, FX- and Commodity Futures	0	0	0	0
Options	0	0	0	0
TOTAL	485,954	1,318,155	2,546,176	4,350,284
of which internal				

INVESTMENT BOOK **31 Dec 2015**

Euro thousand	up to 1 year	1-5 years	more than 5 years	Total
INTEREST RATE RELATED TRANSACTIONS	**37,669**	**121,691**	**463,334**	**622,694**
Caps&Floors	0	0	0	0
FRA's	0	0	0	0
Interest Futures	0	0	0	0
IRS	37,669	121,691	463,334	622,694
Swaptions	0	0	0	0
EXCHANGE RATE RELATED TRANSACTIONS	**1,372,766**	**1,712,250**	**221,729**	**3,306,745**
Cross Currency Swaps	367,397	1,704,750	221,729	2,293,877
Foreign exchange options	0	0	0	0
Foreign exchange transactions/FX SWAPS	1,005,369	7,500	0	1,012,868
CREDIT RELATED TRANSACTIONS	**20,000**	**9,185**	**0**	**29,185**
Credit Default Swaps – long positions	20,000	9,185	0	29,185
Credit Default Swaps – short positions	0	0	0	0
OTHER TRANSACTIONS	**18,463**	**19,607**	**472,412**	**510,483**
Index-, FX- and Commodity Futures			461,037	461,037
Options	18,463	19,607	11,375	49,446
TOTAL	**1,448,898**	**1,862,734**	**1,157,475**	**4,469,107**
of which internal				

					31 Dec 2014		
Market value 31 Dec 2015	thereof hedge 31 Dec 2015	Other receiveables 31 Dec 2015	Other liabilities 31 Dec 2015	Provisions 31 Dec 2015	Market value 31 Dec 2014	Other receiveables 31 Dec 2014	Other liabilities 31 Dec 2014
–220,820	**–231,385**	**434,828**	**436,723**	**7,308**	**–9,076**	**450**	**647**
–599	–558	2,953	3,110	48	–487	0	4
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
–215,721	–230,827	431,875	428,740	7,261	–8,589	450	644
–4,500	0	0	4,873	0	0	0	0
–129,173	**–31,337**	**18,589**	**133,995**	**3,002**	**–95**	**0**	**0**
–127,791	–31,337	18,290	132,552	2,290	0	0	0
0	0	0	0	0	0	0	0
–1,381	0	299	1,442	711	–95	0	0
12	**0**	**0**	**36**	**5**	**0**	**0**	**0**
12	0	0	36	5	0	0	0
0	0	0	0	0	0	0	0
3,443	**0**	**5,023**	**0**	**16,198**	**0**	**0**	**0**
–2,368	0	0	0	16,198	0	0	0
5,811	0	5,023	0	0	0	0	0
–346,537	**–262,722**	**458,440**	**570,753**	**26,513**	**–9,171**	**450**	**647**
		273,924	469			0	0

					31.12.2014		
Market value 31 Dec 2015	thereof hedge 31 Dec 2015	Other receiveables 31 Dec 2015	Other liabilities 31 Dec 2015	Provisions 31 Dec 2015	Market value 31 Dec 2014	Other receiveables 31 Dec 2014	Other liabilities 31 Dec 2014
–268,597	**0**	**423,384**	**433,463**	**640**	**0**	**0**	**0**
–599	0	2,948	3,110	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
–263,499	0	420,437	425,853	640	0	0	0
–4,500	0	0	4,500	0	0	0	0
–15,933	**0**	**15,264**	**15,932**	**0**	**0**	**0**	**0**
–15,933	0	15,264	15,932	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
–284,530	**0**	**438,649**	**449,394**	**640**	**0**	**0**	**0**
		273,792	0			0	0

					31.12.2014		
Market value 31 Dec 2015	thereof hedge 31 Dec 2015	Other receiveables 31 Dec 2015	Other liabilities 31 Dec 2015	Provisions 31 Dec 2015	Market value 31 Dec 2014	Other receiveables 31 Dec 2014	Other liabilities 31 Dec 2014
47,778	**–231,385**	**11,444**	**3,260**	**6,668**	**–9,076**	**450**	**647**
0	–558	5	0	48	–487	0	4
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
47,778	–230,827	11,439	2,887	6,621	–8,589	450	644
0	0	0	373	0	0	0	0
–113,240	**–31,337**	**3,325**	**118,063**	**3,002**	**–95**	**0**	**0**
–111,858	–31,337	3,025	116,621	2,290	0	0	0
0	0	0	0	0	0	0	0
–1,381	0	299	1,442	711	–95	0	0
12	**0**	**0**	**36**	**5**	**0**	**0**	**0**
12	0	0	36	5	0	0	0
0	0	0	0	0	0	0	0
3,443	**0**	**5,023**	**0**	**16,198**	**0**	**0**	**0**
–2,368	0	0	0	16,198	0	0	0
5,811	0	5,023	0		0	0	0
–62,007	**–262,722**	**19,792**	**121,359**	**25,874**	**–9,171**	**450**	**647**
		132	469			0	0

Expalantory notes on the income statement

	2015 Euro	2014 Euro thousand
Income from securities and investments	**6,362,832.78**	**2,444**
a) Income from shares, other ownership interests and variable-yield securities	3,429,489.42	1,781
b) Income from participations	1,321,527.78	311
c) Income from shares in affiliates	1,611,815.58	351

Breakdown of other operating income:

	2015 Euro	2014 Euro thousand
Other operating income		
Passed-on staff costs and administrative expenses	72,945,431.67	187
Income - derivative financial instruments	25,190,322.50	0
Income from the reversal of provisions	7,140,091.86	0
Income from letting and leasing	2,110,437.11	1,644
Income from the disposal of assets	1,541,501.49	349
From other transactions	4,364,865.17	53
	113,292,649.80	**2,233**

Breakdown of other operating expenses:

	2015 Euro	2014 Euro thousand
Other operating expenses		
Expenses - financial guarantee and redemption of securities	20,090,838.49	0
Expenses passed on	19,998,275.67	48
Losses on redemption - issues	13,987,040.84	0
Contributions to sectoral support facilities	3,697,899.75	679
Expenses - derivative financial instruments	1,911,085.18	0
Other expenses	11,733,002.97	377
	71,418,142.90	**1,104**

Passed-on expenses mainly comprise material costs, especially for association projects and joint advertising. Other expenses are primarily made up of allocations of euro 2,300,000.00 to provisions, expenses of euro 6,177,429.19 for the deposit guarantee fund and expenses of euro 1,053,668.02 for legal claims.

Result from valuations and disposals:

	2015 Euro	2014 Euro thousand
Result from valuations and disposals	**–14,614,915.61**	**839**
Value adjustments for loans and advances and allocations to provisions for contingent liabilities and credit risks	**–37,806,831.99**	**–13,073**
Lending business	–37,772,531.25	–13,073
Securities held as current assets	–34,300.74	0
Income from the reversal of value adjustments for loans and advances and provisions for contingent liabilities and credit risks	**37,053,334.63**	**12,543**
Lending business	36,983,135.67	12,543
Securities held as current assets	70,198.96	0
Value adjustments for securities valued as financial investments, participations and shares in affiliates	**–18,441,403.74**	**–9,830**
Securities held as non-current assets	–5,306,406.69	–923
Participations and shares in affiliates	–13,134,997.05	–8,907
Income from value adjustments for securities valued as financial investments, participations and shares in affiliates	**4,579,985.49**	**11,199**
Securities held as non-current assets	4,377,762.94	11,199
Participations and shares in affiliates	202,222.55	0

Income taxes

Income taxes are based on the result from ordinary operations. The tax expense of euro 2,421,726.12 (2014: euro 2,034k) mainly comprises the current corporation tax expense of euro 524,543.00 (2014: euro 2,068k), tax expense from reversal of deferred tax assets of euro 2,204,852.75 (2014: euro 1,204k), and corporation tax income of euro 396,014.59 (2014: euro 14k) due to offsetting within the Group in 2015.

Other taxes not shown under item 15

Other taxes of euro 2,182,341.39 (2014: euro 1,517k) mainly comprise the bank levy of euro 759,516.30 (2014: euro 1,290k) pursuant to the Austrian Stability Levy Act (Stabilitätsabgabegesetz) plus capital duty in the amount of euro 1,129,984.42 (2014: euro 0k).

Movement in reserves

			2015			2014
	Euro Addition (–)	Euro Release (+)	Euro Total	Euro thousand Addition (–)	Euro thousand Release (+)	Euro thousand Total
Retained earnings / free reserves	–28,625.77	0.00		–5,029	0	
Untaxed reserves	0.00	313,012.06		0	138	
	–28,625.77	**313,012.06**	**284,386.29**	**–5,029**	**138**	**–4,891**

Expenses for subordinated liabilities and supplementary capital were euro 498,887.97 (2014: euro 580k).

Income from severance payments of euro 2,058,410.58 (2014: expense of euro –1,460k) are included in expenses for severance payments and contributions to employee welfare funds.

The costs for auditing the financial statements amounted to euro 1,171,203.85 (2014: euro 250k) for the business year.

The result from extraordinary items of euro 9,500,000.00 (2014: negative result of 3,887k) contains withdrawals from the fund for general bank risks of euro 9,500,000.00 (2014: euro 0).

The difference between the capital increase and the capital contribution of euro 4,311,239.84 from the transfer of the banking operations of Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung and Volksbank Obersdorf – Wolkersdorf – Deutsch-Wagram e.Gen. to VOLKSBANK WIEN AG is reported in a special item on the income statement – "Reduction in net assets through reorganisation" – immediately below the item "Annual result after taxes", in accordance with opinion KFS/RL 25 (97b) of the Austrian Chamber of Accountants and Tax Consultants.

Other disclosures

VOLKSBANK WIEN AG produces consolidated financial statements as the central organisation pursuant to section 59 BWG and association financial statements pursuant to section 59a BWG. The financial statements for the association were submitted to the Vienna Commercial Court by VOLKSBANK WIEN AG, with registered office in Vienna.

In 2015, an average of 981.70 staff (2014: 566.50) and 8.20 workers (2014: 16.70) were employed.

Expenses for severance payments and pensions for current and former members of the Managing Board were euro 899,976.86 (2014: euro 332k).

Expenses for severance payments and pensions for employees were euro 198,905.29 (2014: euro 2,150k).

The total compensation paid to Supervisory Board members in the business year is euro 56,703.03 (2014: 105k) for current members and euro 111,723.24 (2014: euro 6k) for former members.

Total Managing Board compensation (not including incidental salary costs) was euro 1,243,860.87 (2014: euro 855k).

Total compensation (pension payments) paid to former members of the Managing Board and their surviving dependants in the business year amounted to euro 239,929.61 (2014: euro 197k).

Loans of euro 2,171.92 (2014: euro 3k) were made to the Managing Board during the business year, and loans of euro 3,170.95 (2014: euro 40k) were made to the Supervisory Board. The Managing Board made loan repayments of euro 11,082.81 (2014: euro 28k), and the Supervisory Board made loan repayments of euro 15,471.59 (2014: euro 24k). The terms regarding maturity and collateral are in line with market standards.

Boards

Managing Board:

Gerald Fleischmann
CEO from 1 June 2015

Josef Preissl
Chairman up to 31 May 2015
Deputy Chairman from 1 June 2015

Wolfgang Schauer
Member of the Managing Board
from 1 April 2015

Rainer Borns
Member of the Managing Board
from 1 December 2015

Erich Fuker
Member of the Managing Board
up to 31 March 2015

Wolfgang Layr
Member of the Managing Board
up to 31 March 2015

Supervisory Board:

Heribert Donnerbauer
Donnerbauer & Hübner
Rechtsanwälte GmbH
Member from 6 August 2015,
Chairman from 7 August 2015

Leo W. Chini
Honorary professor at the
Institute for Small Business
Management
and Entrepreneurship
(Institut für KMU-Management)
Member up to 7 August 2015
Chairman from 4 March 2015
up to 7 August 2015

Martin Holzer
Director, Volksbank Landeck eG
First Deputy Chairman
from 29 May 2015

Rainer Kuhnle
Director,
Volksbank Niederösterreich AG
Second Deputy Chairman
from 7 August 2015

State Commissoners:

Dietmar Mitteregger
State Commissioner

Helga Ruhdorfer
Deputy State Commissioner

Boards

Members of the Supervisory Board:

Susanne Althaler
DONAU Wirtschaftsprüfungs- und Steuerberatungsgesellschaft mbH
Member from 6 August 2015

Harald Berger
Director,
Volksbank Südburgenland eG
Member up to 7 August 2015
Chairman up to 19 February 2015

August Breininger
Muncipiality of Baden
Member up to 29 May 2015

Karin Eger
Viennese Regional Health Insurance Fund
(Wiener Gebietskrankenkasse)
Member from 29 May 2015
up to 7 August 2015

Werner Foidl
Director,
Volksbank Kufstein-Kitzbühel eG
Member up to 7 August 2015

Franz Gartner
Muncipiality of Traiskirchen
Second Deputy Chairman
up to 7 August 2015

Markus Hörmann
Director,
Volksbank Tirol Innsbruck-Schwaz AG

Alfons Klebl
Muncipiality of Traiskirchen
Member up to 7 August 2015

Johannes Linhart
Independent consultant on capital markets and finance
Member from 6 August 2015

Johannes Monsberger
Director,
Volksbank Steiermark Mitte AG
Member up to 7 August 2015

Harald Nograsek
Österreichisches Verkehrsbüro AG
Member from 6 August 2015

Anton Pauschenwein
Director,
Volksbank Niederösterreich Süd eG
Member up to 7 August 2015

Rudolf Riener
Director, Volksbank Weinviertel
Member up to 7 August 2015

Nina Rittmann-Müller
Rittmann KG, Steuerberatung und Wirtschaftsprüfung
Member up to 7 August 2015

Monika Wildner
Independent lawyer
Member from 6 August 2015

Otto Zeller
Director, Volksbank Salzburg eG
First Deputy Chairman
up to 29 May 2015

Works council delegates:

Hans Lang
Chairman of the Works Council
Member from 21 July 2015

Hermann Ehinger
Member from 21 July 2015

Stefan Felbermayer
Member up to 20 July 2015

Eva-Maria Kohout-Lintner
Member up to 20 July 2015

Ingrid Laki
Member up to 20 July 2015

Rainer Obermayer

Michaela Pokorny
Member from 21 July 2015

Christian Rudorfer
Member up to 20 July 2015

Matthäus Thun-Hohenstein
Member from 21 July 2015
up to 7 August 2015

Gerlinde Weilguni
Member up to 7 August 2015

Manfred Worschischek

The Managing Board

Gerald FLEISCHMANN
Chairman of the Managing Board
General Secretariat, Organisation / IT,
HR Management, Press Office, Risk Control, Banking Association Strategy

Josef PREISSL
Deputy Chairman of the Managing Board
Compliance Office, Property Subsidiaries, Integration/Operational Risk Governance,
Legal, Audit, Association Risk Management, Risk Retail/SME,
Reorganisation Management, VB Services for Banks

Wolfgang SCHAUER
Member of the Managing Board
Major Commercial, Marketing/Communication,
Regional Management/Branches, Treasury,
Sales Management, Front Office Service Center

Rainer BORNS
Member of the Managing Board
Finance

Please refer to the website of VOLKSBANK WIEN AG – www.volksbankwien.at – for the disclosure required under Article 431 of the CRR.

Vienna, 29 March 2016

Movement in non-current assets 2015
(section 226 (1) Austrian Commercial Code (UGB) in conjunction with section 43 (1) Austrian Banking Act (BWG); all figures are in euro)

Non-current assets	Acquisition/ development costs 1 Jan 2015	Additions in business year	Additions through reorganisation	Disposals in business year
2.a) Debt instruments issued by public bodies and similar securities	10,513,000.00	14,986,660.00	866,690,774.27	69,991,365.29
3. Loans and advances to credit institutions (securities)	200,000.00	250,000.06	11,101,102.18	7,400,016.90
4. Loans and advances to customers (securities)	0.00	0.00	18,655,799.02	284,320.22
5. Bonds and other fixed-income securities	46,001,323.15	39,496,520.37	483,936,329.41	201,097,218.03
6. Shares and other variable-yield securities	23,938,083.65	4,934,186.96	107,052,786.17	78,850,375.03
7. Participations	49,305,997.42	9,830.00	55,548,338.29	1,064,850.54
8. Investments in affiliates	6,853,620.79	15,912,897.92	89,011,412.61	4,360.37
9. Intangible non-current assets	1,365,033.14	858,155.93	25,911,468.76	3,137,734.73
10. Fixed assets	107,977,894.47	2,693,955.15	40,605,595.90	6,472,335.16
12. Other assets	1,872.70	0.00	0.00	0.00
TOTAL	**246,156,825.32**	**79,142,206.39**	**1,698,513,606.61**	**368,302,576.27**

Reclassifications in business year	Acquisition/ development costs 31 December 2015	Write-ups in business year	Accumulated depreciation	Carrying amount 31 Dec 2015	Carrying amount 2014 in euro thousand	Depreciations in business year
14,100,000.00	836,299,068.98	0.00	82,282.21	836,216,786.77	10,401	0.00
195,878.65	4,346,963.99	0.00	0.00	4,346,963.99	200	0.00
0.00	18,371,478.80	0.00	0.00	18,371,478.80	0	0.00
–15,095,878.65	353,241,076.25	0.00	442,378.10	352,798,698.15	45,727	0.00
800,000.00	57,874,681.75	0.00	7,045,863.73	50,828,818.02	23,545	2,949,495.59
1,872.70	103,801,187.87	0.00	83,509,089.68	20,292,098.19	10,764	1,791,436.62
0.00	111,773,570.95	0.00	86,053,560.43	25,720,010.52	6,804	1,303,560.43
7,788.00	25,004,711.10	0.00	20,569,060.80	4,435,650.30	10	5,032,952.28
–7,788.00	144,797,322.36	0.00	80,741,285.64	64,056,036.72	51,287	6,237,230.19
–1,872.70	0.00	0.00	0.00	0.00	2	0.00
0.00	**1,655,510,062.05**	**0.00**	**278,443,520.59**	**1,377,066,541.46**	**148,740**	**17,314,675.11**

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MANAGEMENT REPORT

1 Report on business development and the economic situation

1.1 Business development

1.1.1 Business development

The most significant restructuring of the Austrian Association of Volksbanks to date took place in the 2015 business year. The Annual General Meeting of VOLKSBANK WIEN AG (VB Wien, VBW) on 29 May 2015 resolved the assumption of the central organisation function from Österreichische Volksbanken-Aktiengesellschaft (VBAG), as well as approving a capital increase and the spin-off and transfer agreement. Regarding the shares transferred to VBW within the framework of the 2015 restructuring agreement, please refer to details given in the Notes. This allowed the former central organisation within VBAG to be transferred to VB Wien through a demerger on 4 July 2015 with retrospective effect from 1 January 2015 and the remainder of VBAG to operate henceforth as a wind-down entity named immigon portfolioabbau ag (immigon) in accordance with section 162 of the Federal Act on the Recovery and Resolution of Banks (Bundesgesetz über die Sanierung und Abwicklung von Banken - BaSAG). All immigon bonds held within the association were subject to a regulatory requirement to be secured with a financial guarantee. This financial guarantee was concluded with Deutsche Bank in June 2015. The costs incurred and the proceeds from a contingent disposal were distributed within the Association of Volksbanks on a pro rata basis. As a consequence of the conversion of remainder of the VBAG into a wind-down entity, the previous association was wound up and a new association established. This association received temporary approval from the ECB up to 30 June 2016 by a letter of 2 July 2015. VB Wien has since been the central organisation of the new Austrian Association of Volksbanks pursuant to section 30a of the Austrian Banking Act (Bankwesengesetz - BWG), assuming far-reaching management and steering functions, one of which is responsibility for risk and liquidity management across the association.

Under the association-wide restructuring process, the Volksbanks are merging to form eight regional providers of banking services and two specialist banks. The banking operations of Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung and Volksbank Obersdorf - Wolkersdorf - Deutsch-Wagram e. Gen. were therefore transferred to VB Wien in November 2015.

Fitch downgraded its rating for the Association of Volksbanks in mid-May 2015. Alongside other Austrian banks, the rating for the Association of Volksbanks was also subject to a review looking at government support. The rating was subsequently downgraded from A to BB-. The downgrade had no significant negative impact on the association's liquidity situation.

The Association of Volksbanks was subject to another rating by Fitch at the end of August 2015, because of the departure of VBAG from the Association of Volksbanks and the restructuring of the association. The rating was upgraded from BB- to BB+ with a positive outlook.

immigon executed issue debt buyback programmes in 2015. All senior unsecured issues in the Association of Volksbanks were sold back early, and the financial guarantee with Deutsche Bank was terminated.

1.1.2 Economic environment

2015 was marked by comparatively robust economic performance in industrialised countries, while growth was below average in many emerging countries and even negative in some cases.

Austrian gross domestic product (GDP) grew by 0.8% in 2015 according to the Austrian Institute of Economic Research. There was growth in all components: Consumer spending grew by 0.4%, supported by growth in real incomes, while government spending increased by the significantly higher rate of 1.1%. After declining in real terms over the previous three years, investment returned to growth in 2015. Foreign trade made a significant contribution to growth, with exports growing considerably more strongly than imports (2.4% vs. 0.8%). However, despite the economic recovery, Austria's unemployment rate remained high by historical standards. According to Eurostat the seasonally adjusted unemployment rate grew – thereby bucking the trend in the euro zone – from 5.6% in January to 5.8% in December 2015, although it remained low compared with other European countries. According to the European Harmonised Index of Consumer Prices, the Austrian rate of inflation fluctuated between 0.5% and 1.1% during the year. Austria thereby had one of the highest rates of inflation among euro zone countries, whose average rate of inflation was nearly one percentage point lower. One of the main reasons for the low rate of inflation was the decline in the price of oil, which decreased 35% over the course of the year.

Within Austria, the economy developed unevenly between the west and east of the country over the first half of 2015. Growth in gross value added was above average in Salzburg, Vorarlberg, Tyrol and Upper Austria and below average in the remaining states, with the exception of Burgenland.

The Viennese economy suffered from the weak performance in the information, communications and construction sectors. On the other hand, the public services, real estate and tourism sectors showed positive growth. Although absolute job growth was in line with the overall Austrian average, the unemployment rate increased at an above-average rate due to a significant increase in labour supply.

In Lower Austria, manufacturing – a very important sector for the state – performed poorly, while performance in public services and real estate was robust, as in the rest of Austria. The labour market performed better than the overall Austrian average.

Austrian residential real estate prices rose in the first nine months of the year, continuing their longstanding upwards trend. In the third quarter the National Bank of Austria's Residential Property Price Index was 4.0% greater than the prior-year figure, with prices outside Vienna having increased somewhat more than in Vienna (+4.3% vs. +3.4%).

Tourism performed very well, both in the past winter season and in the summer season. In the 2014/15 winter season, overnight stays increased by 2.1% (foreigners: +2.5%). In the summer season overnight stays increased by a total of 3.3% across Austria and 3.5% for foreign guests. Vienna achieved the highest overall growth rates, with only Burgenland and Vorarlberg performing relatively weakly. The trends for different countries of origin partly reflected exchange rate movements against the euro: Countries with above-average increases in overnight stays for guests included Switzerland and Liechtenstein (5.8%), the United Kingdom (5.5%) and the US (12.3%), while overnight stays from Russia fell by 34%.

In the euro zone the real GDP growth rate for 2015 according to the European Commission's winter forecast was 1.6%, the highest figure since 2011. Most peripheral euro zone countries continued their recovery – only Greece and Finland did not grow over the past year. According to the winter forecast, both consumer and government spending made positive contributions to growth of 1.7% and 1.4% respectively, as did investment (+2.3%). Although imports grew more than exports, a current account surplus of 3.7% of gross domestic product was generated. The rate of unemployment showed improvement throughout, albeit from high initial rates. Calculated according to Eurostat methodology, the unemployment rate fell from 11.2% at the start of the year to 10.4% in December. The rate of inflation increased slightly (from –0.6% in January to +0.2% in December 2015). However, it was far lower than the target set by the European Central Bank (ECB).

The ECB left its main refinancing rate unchanged at 0.05% for the entire year. The interest rate for the marginal lending facility remained at 0.30%. However, the deposit rate was reduced at the beginning of December, from -0.20% to -0.30%. Three-month Euribor fell throughout the year and remained in negative territory from mid-April onwards, falling from 0.08% at the start of the year to -0.13% at year-end. In March 2015 the ECB began the enhanced bond purchase programme which it had agreed at the end of 2014 to boost inflation. Against this backdrop yields on government bonds perceived as safe initially fell to historic lows but then rose again to finish 2015 up moderately from the start of the year. Yields on ten-year government bonds increased from 0.66% to 0.90% in Austria and from 0.50% to 0.63% in Germany.

In part because of the contrary monetary policies of the ECB and the US Federal Reserve – the Federal Reserve raised the federal funds rate for the first time in nine years in 2015 – the euro depreciated by around 10% against the US dollar over the year. The euro also depreciated 10% overall against the Swiss franc after the Swiss National Bank discontinued its minimum exchange rate of 1.20 on 15 January 2015. Since that point the Swiss currency even fell below parity against the euro. Stock markets again posted gains in 2015, despite a sharp decline in August.

The ATX grew 11% in value over the year and the EuroSTOXX50 just under 4%.

1.1.3 Explanatory notes on the income statement

The figures reported for the 2015 business year have to be considered in the context of the demerger and transfer of the VBAG central organisation and central institution function into VBW and the transfer of the banking operations of Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung and Volksbank Obersdorf - Wolkersdorf - Deutsch-Wagram e. Gen. in accordance with section 92 BWG. Because of the mergers, the comparability of the figures with those of the prior year is limited.

Net interest income is euro 92.8 million for the business year. This includes interest income of euro 87.9 million from loans and advances to customers. Interest income from swaps of euro 13.5 million primarily contains compensation from interest rate swaps for in-house issues and savings certificates. Interest and similar expenses for amounts owed to credit institutions increased by euro 18.6 million, from euro 1.9 million to euro 20.5 million. The majority of this amount – euro 15.4 million – relates to members of the Association of Volksbanks. Despite an increase in volume year-on-year, interest expense for amounts owed to customers decreased from euro 27.0 million to euro 19.8 million. This decrease is due to the general decline in interest rates.

Income from shares, other ownership interests and variable-yield securities increased from euro 1.8 million to euro 3.4 million year-on-year. The income is almost exclusively due to Austrian securities denominated in euro. Income from participations and shares in affiliates totalled euro 2.9 million in 2015 (2014: euro 0.7 million).

Fee and commission income stood at euro 65.3 million at the year-end, of which euro 27.8 million relates to securities business, euro 21.4 million to payment transactions and euro 10.8 million to lending business. Fee and commission expenses stood at euro 26.0 million, of which euro 19.0 million relates to securities business, euro 4.4 million to lending business and euro 2.3 million to payment transactions. Net fee and commission income therefore increased from euro 33.2 million in the previous year to euro 39.3 million as at 31 December 2015.

The net result from financial transactions was positive euro 8.5 million. The trading and valuation result for fixed-income securities accounts for the largest amount within this item at euro 3.4 million. The financial result contains a result from interest rate derivatives of euro 1.9

million, a currency valuation result of euro 1.7 million and a valuation result for precious metals of euro 1.1 million.

Other operating income of euro 113.3 million largely contains reallocated income totalling euro 72.9 million. Income from the termination of interest rate swaps on issues stands at 25.2 million and relates mainly to the termination of a hedge in connection with a bond redemption in the fourth quarter. Income from the reversal of provisions of euro 7.1 million is due to provisions no longer required for negative market values from foreign exchange and interest rate derivatives.

Other operating expenses of euro 71.4 million include reallocated expenses of euro 20.2 million. The expenses for the financial guarantee concluded with Deutsche Bank come to euro 20.1 million. Other expenses increased by euro 14.0 million due to the loss from the aforementioned bond redemption.

General administrative expenses amount to euro 163.4 million and comprise staff expenses of euro 86.2 million and other administrative expenses of euro 77.2 million. Other administrative expenses includes IT expenses of euro 21.9 million. Merger costs total euro 1.1 million.

Operating profit for 2015 of euro 14.1 million was impacted by various non-recurring effects due to the restructuring and has fallen by euro 4.2 million year-on-year.

The net result from valuations and disposals was negative euro 14.6 million for the 2015 business year. This result contains a value adjustment of euro 9.9 million pursuant to section 57 (1) BWG. Expenses due to write-downs on and provisions for participations and shares in affiliates came to euro 13.1 million. Allocations to and reversals of value adjustments and provisions resulted in negative euro 0.8 million net.

The negative valuation result made a significant contribution to the negative result from ordinary operations of euro -0.5 million, compared with euro 19.2 million in the previous year.

The net result from extraordinary items was positive euro 9.5 million due to the release of the fund for general bank risks.

VBW is the head of a corporate group as defined by section 9 of the Corporation Tax Law (KStG). The corporation tax revenue due to routine offsetting within the Group in 2015 was euro 0.4 million.

Other taxes of euro 2.2 million (2014: euro 1.5 million) mainly comprise the bank levy of euro 0.8 million (2014: euro 1.3 million) pursuant to the Austrian Stability Levy Act (Stabilitätsabgabegesetz), plus capital duty of euro 1.1 million for the capital increases undertaken.

1.1.5 Explanatory notes on the statement of financial position and own funds

Total assets rose considerably from euro 3.4 billion to euro 10.6 billion year-on-year, in large part due to the demerger and transfer of the central organisation and central institution function from VBAG to VBW. Through assumption of the central organisation function for the Association of Volksbanks, VBW also assumed loans, advances and liabilities in respect of banks belonging to the Association of Volksbanks. Loans and advances to credit institutions increased from euro 0.8 billion in the previous year to euro 2.8 billion as at 31 December 2015, largely for this reason. The euro 4.1 billion owed to credit institutions as at year-end is almost wholly made up of liabilities spun off from VBAG. The prior-year figure is only around euro 0.1 billion.

Loans and advance to customers increased from euro 2.4 billion to euro 3.8 billion year-on-year. This increase is to a large extent due to the transfer of the banking operations of the two retail banks and of the central organisation in November 2015.

Debt instruments issued by public bodies increased from euro 10.5 million to euro 983.3 million through the takeover of the central organisation function and mostly comprises Austrian debt instruments denominated in euro.

Other assets, which increased by euro 470.8 million year-on-year from euro 11.7 million to euro 482.5 million, largely contains positive market values from interest rate hedges in the trading book.

Amounts owed to customers increased by euro 0.9 billion year-on-year to euro 4.0 billion as at year-end, of which 2.8 billion was denominated in euro and due on demand.

Other liabilities of euro 620.1 million mostly contain payment obligations from interest rate swaps and other interest rate hedges.

Four capital increases were undertaken in connection with the mergers implemented during the business year and the assumption of the central organisation function. This increased subscribed capital from euro 56.5 million to euro 107.5 million year-on-year, with capital reserves increasing from euro 42.6 million to euro 155.1 million.

Pursuant to Article 92 CRR, VBW must fulfil the following capital requirements at all times:
a) a Common Equity Tier 1 capital ratio of 4.5%,
b) a Tier 1 capital ratio of 6%, and
c) a total capital ratio of 8.0%.

The assessment base for the capital requirements is the total risk amount, which stood at euro 2.8 billion at the year-end. The minimum requirements for VB Wien in absolute terms are Common Equity Tier 1 capital of euro 124.0 million, Tier 1 capital of euro 165.3 million and total capital of euro 220.4 million. The actual Common Equity Tier 1 capital ratio is 11.9%, exceeding the capital requirements by euro 203.9 million. The Tier 1 capital ratio is equal to the Common Equity Tier 1 capital ratio of 11.9% and exceeded the requirement by euro 162.6 million. The total capital ratio requirement was exceeded by euro 133.6 million.

1.2 Branch report

VB Wien does not have any branches.

1.3 Financial and non-financial performance indicators

1.3.1 Financial performance indicators

VB Wien's own funds were euro 354.0 million as at 31 December 2015 (31 December 2014: euro 208.0 million). Risk-weighted assets were euro 2.8 billion as at the end of 2015, nearly doubling compared to the end of 2014 (euro 1.4 billion). The increase is largely due to the capital increase in connection with the assumption of the central organisation function and the bank mergers.

Available own funds exceed the regulatory requirement by euro 133.6 million.

- Both the Common Equity Tier 1 capital ratio and the Tier 1 capital ratio are 11.9% in relation to total risk (31 December 2014: 13.3%).
- The total capital ratio is 12.9% (31 December 2014: 14.9%).

Loan-to-deposit ratio I is 231.33% for the year under review (2014: 163.62%). Loan-to-deposit ratio 1 is calculated as the ratio between loans and advances to customers and savings deposits.

Loan-to-deposit ratio II is 68.61% for the year under review (2014: 78.41%). Loan-to-deposit ratio II is calculated as the ratio between loans and advances to customers and the sum of amounts owed to customers and debts evidenced by certificates.

The commission margin is 0.37% for the business year (2014: 0.98%). Commission margin is calculated as the ratio of net commission income and expenses to total assets.

The operating income margin is 2.45% for the business year (2014: 2.75%). Operating income margin is calculated as the ratio of operating income to total assets.

The operating expenses margin is 2.32% for the business year (2014: 2.21%). Operating expenses margin is calculated as the ratio of operating expenses to total assets.

1.3.2 Non-financial performance indicators

Human Resources

Human Resources was intensively involved, above all, in integrating employees and supporting the reorganisation measures. The process begun and the measures initiated will continue to be implemented in the coming year. An extensive action plan has been agreed with the Managing Board. Alongside the ongoing merger and integration measures, a comprehensive new strategy for employee training has been initiated in close consultation with the Volksbank Academy and its training officers.

As at the reporting date of 31 December 2015, VB Wien employed 1,144 people (full-time equivalents, including subsidiaries).

Significant organisational and IT projects

The central organisation function for the Association of Volksbanks demerged from VBAG was merged with VOLKSBANK WIEN-BADEN AG (now VOLKSBANK WIEN AG) in July 2015. The associated legal, HR, process and IT activities were carried out by the Organisation/IT division in the "Transformation" project. This project covered the organisation of structures and processes for all functions and areas within the former VBAG and VOLKSBANK WIEN AG. This entailed meeting the challenge of harmonising processes, migrating data and implementing a wide variety of applications in VOLKSBANK WIEN AG within the prescribed time frame (around nine months).

A further two mergers with the retail banks Volksbank Ost registrierte Genossenschaft mit beschränkter Haftung and Volksbank Obersdorf - Wolkersdorf - Deutsch-Wagram e. Gen. were successfully implemented in November 2015. The lead time for this double merger was extremely tight, as follow-up work for the technological implementation of the "Transformation" project in July required a considerable amount of time and had to be undertaken in parallel with the two retail bank mergers. The organisational follow-up work for the merger also fell into this period, which proved to be a significant complication for the retail merger project. The technological merger managed by the Organisation/IT division involved integrating the technological clients in the Association's data centre "Allgemeines Rechenzentrum GmbH" (ARZ) and was successfully implemented over two weekends. There were no significant problems reported affecting customers in the first business days following the technological merger. All systems, such as internet banking, self-service terminals and counters in the branches among many others, were put into operation on schedule and without issue.

The purpose of the "Model Client" project (Mustermandant) was to harmonise the parameters and system-supported processes of the core banking system in the Volksbank sector. This facilitates mergers, creates synergies and saves costs. Uniform system parameters have already been rolled out, and a uniform product offering and pricing packages are currently being developed. The central organisation has had its own technical client and support team set up for system support and maintenance. Parameters can now be changed centrally for the entire Volksbank sector. The migration of the retail banks to the model clients simplifies work and was an obligatory prerequisite for the mergers above.

The aim of the "Association-wide IT Consolidation" project begun in 2013 was to achieve a long-term reduction in the costs of IT infrastructure and associated IT processes within the banks of the association. The two most important elements of the project are the harmonisation of the data network (Network Cloud), which is to be implemented across the association as early as the first half of 2016, and the centralisation of all servers in ARZ (CeBrA Cloud), which is to be completed by the end of 2017. Alongside tangible cost reductions, the measures already implemented also entail a significant reduction in operational risks in the main institutions.

The "Electronic Banking Platform - Mobile Generation" project was initiated in 2015 with the aim of creating a modern online banking system. The new platform will be rolled out in the first half of 2016 and is to be positioned as an information, communication and transaction channel between the bank and its customers. The application of agile methods enables continually evolving functions to be provided, which allows ongoing adaptation to market and customer requirements as well as reducing the burden on the in-house support units.

In 2012, the Austrian banks agreed to establish a joint reporting platform (Gemeinsamen Meldewesen-Plattform - GMP). The "securities cube" and "loans cube" went live in 2015, representing successful completion of the first milestones for GMP by the Volksbanks in collaboration with ARZ. The securities cube looked at the entire organisational, procedural and technological set-up, while the loans cube focussed on measures relating to content and quality assurance necessary due to the sheer extent of the loan data. Despite the significant upheavals in 2015 ("Transformation" project), the Association of Volksbanks defined and implemented a collaboration model governing the distribution of reporting responsibilities between the central organisation and the primary banks and realising maximum potential synergies between steps performed centrally and decentrally. One of the ways in which the success of this collaboration is demonstrated is that the association is the first banking group in Austria to have submitted a live securities cube to the National Bank of Austria.

The bank was tasked with implementing the requirements of the new accounting standard IFRS 9 in December 2015. Because of its high relevance for the banks, implementation of the requirements will take place through a project specially established in January 2016 intended to ensure initial application of the standard by 2018.

Organisational and IT projects are planned and implemented with due consideration to environmental concerns.

1.4 Significant events after the balance sheet date

The General Meeting of 17 March 2016 resolved amendment of the 2014 banking association agreements. Alongside amendments to the 2014 banking association agreement and collaboration agreement and among other measures, a trust fund (Leistungsfonds) was set up at the central organisation. The central organisation thereby bears sole responsibility for restructuring within the association in future, and the common fund (Gemeinschafts-fonds) has been replaced by the Leistungsfonds fund.

The positive outlook for the long-term issuer rating of the Association of Volksbanks reflects the progress in consolidating the association members and the high probability that the rating will be upgraded by as many as two categories as soon as the risk of implementing the consolidation has decreased sufficiently. On the other hand, there is a risk that the viability and long-term issuer rating will be downgraded if the necessary cost reductions are not achieved from the restructuring, if there is a significant downturn in the Austrian economy or if the Association of Volksbanks is unable to repay the Republic of Austria in line with the repayment plan. However, these risks are not currently expected to materialise.

2 Report on the company's future development and risks

2.1 Future development of the company

Economic environment

The first few weeks of the year were marked by growing concerns about the global economy. Weak economic data from China and the sharp decline in oil prices led to considerable losses on the stock markets and declining yields on government bonds perceived as safe. These upheavals are of course not yet taken into account in the economic forecast of the Austrian Institute of Economic Research (WIFO) published in December 2015. However, the Austrian GDP growth rate of 1.7% forecast by WIFO is also assumed in the European Commission's winter forecast for 2016, which was only published in early February. Consumer spending was expected to benefit from tax reform in 2016, and an upturn in investment was also assumed. Foreign trade is also expected to make a tangible contribution to growth through the weaker euro and a fall in imports due to the recent decline in oil prices.

A growth rate of 1.7% is also forecast for the euro zone as a whole – the ECB's projection from December 2015 and the European Commission's winter forecast both assume this figure for 2016. Robust international demand and the weak euro are expected to underpin economic growth in the euro zone. However, the rate of inflation in 2016 is forecast to continue to fall short of the European Central Bank's inflation target of just under 2%, primarily due to the low price of oil. The European Commission expects the rate of inflation to be just 0.5% in 2016. It is therefore possible that monetary policy will be further loosened. Overall, interest rates should therefore remain low, although the tightening of monetary policy introduced at the end of 2015 in the US may lead to a certain upwards trend. This is expected to have a stronger impact on interest rates in capital markets than on the money market.

The main risks for this outlook come from ongoing geopolitical conflicts and the weak or below average economic development of some large emerging countries such as China, Brazil and Russia which may lead to (further) currency devaluations, increased financial market volatility and a negative impact on international demand. Increased border controls and disagreements within the European Union may also adversely affect the outlook.

On 10 March 2016, the European Central Bank resolved a range of further measures to ease monetary policy. The deposit rate was reduced by 10 basis points to –0.40%, while the main refinancing rate and the marginal lending rate were both reduced by 5 basis points, to 0% and 0.25% respectively. Furthermore, the bond purchase programme was expanded to euro 80 billion and extended to at least March 2017. Investment-grade corporate bonds – but not bank bonds – are also eligible for the purchase programme henceforth. There will be four new targeted long-term refinancing operations (TLTRO II) on a quarterly frequency from June 2016 with a maturity of four years. Participants who increase their lending by at least 2.5% will be able to borrow at the deposit rate. Otherwise, at a maximum, the interest rate may be as high as the main refinancing rate. Unlike with previous long-term refinancing operations, the interest rate is only bound to the base rate as at conclusion of the transaction and is independent of later changes in base rates. Because of the new ECB measures, the expected level of interest rates has continued to shift downwards for the current year, especially at the short end of the interest rate curve.

Outlook for planned mergers in 2016

VB Wien plans to take over the banking operations of Volksbank Marchfeld e.Gen. and Volksbank Weinviertel e.Gen. in July 2016 and those of Volksbank Niederösterreich Süd eG and Volksbank Südburgenland eG in November 2016.

Future development of the company

Following the successful demerger of immigon portfolioabbau ag, its departure from the association and VBW's assumption of the central organisation function in 2015, the bank's focus is now on increasing customer business. The bank intends to grow both through the four planned mergers and by strengthening lending and commission business. Commission business will also be promoted through the new cooperation agreement with Union Investment Austria GmbH and the reorganisation of the branches. Following a year in which earnings were encumbered by non-recurring effects, a return to an annual result in the low double-digit range is expected for 2016.

2.2 Material risks and uncertainties

2.2.1 Banking association agreement

The former central organisation within VBAG was transferred to VB Wien through a demerger on 4 July 2015 with retrospective effect from 1 January 2015, and the remainder of VBAG was to operate henceforth as a wind-down entity in accordance with section 162 of the Federal Act on the Recovery and Resolution of Banks (Bundesgesetz über die Sanierung und Abwicklung von Banken - BaSAG). As a consequence, the previous association was wound up and a new association established. The association received temporary approval from the ECB up to 30 June 2016 by a letter of 2 July 2015. The management of VB WIEN is not currently aware of any issues which indicate that the approval would not be extended.

2.2.2 Regulatory requirements

Regulators at the European and national levels require compliance with ever more extensive requirements, and this will continue in future. This places a burden on the bank on the one hand through extremely high resource requirements in the form of staff, project and IT costs and on the other hand through higher capital requirements extending far beyond the minimum legal requirements under Basel III.

VBW divides the regulatory requirements internally into three pillars in accordance with Basel II/III. Pillar 1, minimum capital requirements, regulates the calculation of the minimum capital requirements for credit, market and operational risks. Pillar 2, supervisory review, defines minimum requirements of banks' risk management systems as part of the ICAAP (internal capital adequacy assessment process). Pillar 3, disclosure, regulates disclosure for market participants.

Pillar 1 Minimum capital requirements

In accordance with the Managing Board resolution, the implementation of pillar 1 at VBW not only fulfils minimum requirements but also, upon due consideration of economic efficiency, provides for the implementation of internal models in order to improve the risk management systems for all risk types on an ongoing basis. The relevant standard regulatory approaches are used to determine the minimum capital requirements both for credit risk and for market and operational risks.

Pillar 2 Internal capital adequacy assessment process

The internal capital adequacy assessment process (ICAAP) requires banks to take all necessary measures to guarantee that there are at all times sufficient capital resources for current business activities and those planned for the future as well as the associated risks. Internal methods and procedures developed by banks may be used for this purpose. The size and complexity of business activities play a key role in the design of the strategies, methods and systems required for implementing the ICAAP (proportionality principle).

Pillar 3 Disclosure

The requirements of pillar 3 are met through publication of the qualitative and quantitative disclosure requirements defined under the Austrian Financial Market Authority (FMA) regulation on implementation of the Austrian Banking Act as it relates to the disclosure obligations of banks (Disclosure Regulation (Offenlegungsverordnung - OffV)), on the bank's website, www.volksbank.at, under Association of Volksbanks (Volksbanken Verbund)/ Association Disclosure (Verbund-Offenlegung).

2.2.3 Risk management structure and risk policy principles

Risk management structure

VBW has taken all organisational measures necessary to meet the requirements of a modern risk management system, as formulated, for example, in the minimum standards for lending business and the Risk Management Regulation for Credit Institutions (Kreditinstitute-Risikomanagementverordnung – KI-RMV). There is a clear separation between the front office and risk assessment, measurement and control. In order to prevent conflicts of interest, these tasks are performed by different organisational units.

Strategic risk management for VBW and the association is concentrated in the Risk Control department within the General Management division headed by Gerald Fleischmann. Alongside Risk Control, this division also encompasses Association Strategy, Organisation/ IT and HR Management. Operational risk management activities are concentrated in the Back Office division headed by Josef Preissl. The division includes the Retail/SME Risk, Association Risk Management and Reorganisation Management departments.

Risk policy principles

The risk policy principles encompass the standards applicable within VBW as part of the Association of Volksbanks for managing risks and are determined by the Managing Board together with risk appetite. A uniform approach to risk management across the association is the foundation for developing risk awareness and a risk culture within the company.

General Instructions on Risk Management

As part of performing its management function, VBW has issued general instructions to the banks belonging to the Association of Volksbanks. The "General Instructions on Risk Management" and associated manuals are binding and govern risk management across the association. They cover the processes and methods that have been put in place for managing, measuring and monitoring risks in the association and in VBW.

The aim of the General Instructions is to clearly and transparently document the general framework and principles for measuring and managing risks to be applied consistently across the association as well as the design of processes and organisational structures. The Instructions lay the foundation for operational implementation of the risk strategy. They set the basic risk targets and limits which have to be taken into account in decision-making, based on the relevant business priorities. The General Instructions on Risk Management apply to all members of the Association of Volksbanks in accordance with section 30a BWG.

As part of their general duty of care in the interest of the companies, the Managing Boards and senior management of all association members must ensure, without exception or limitation, that the General Instructions on Risk Management are applied in their respective companies on both a formal and a de facto basis. The General Instructions on Risk Management are applied either through full implementation at the entity or through their content being included in the entity's own risk manual. Any deviations from or special provisions relating to the General Instructions on Risk Management are permitted only in exceptional cases and must be agreed in advance with the "OPRISK and Risk Governance" operational unit (OU 632) within VBW as the CO.

Clear organisational structures: Particular attention is paid to ensure the separation of risk-taking on the one hand and calculation of risk and setting of risk standards on the other (risk control/risk management). Separation of functions within VBW ensures that conflicts of interest are avoided.

Systems and methods: Uniform risk measurement methods form the basis for comparing and aggregating risks within VBW. They are also an important element in internally developing efficient limit structures and calculating utilisation of limits. Ensuring standardised risk management systems is also a major priority with regard to cost-effectiveness and making efficient use of resources. Contingency plans are in place to ensure the necessary system availability.

Limit system: In principle, all measurable and manageable risks in VBW are subject to a limit structure that is in turn subject to ongoing operational monitoring. The principle of "no risk without limit" applies. Risks for which current theory does not provide sufficiently accurate measurement methods or instruments are considered on the basis of regulatory capital requirements, conservative calculation methods taking into account stress scenarios, or in the form of safety buffers. The prudence principle applies in all such cases.

Risk reporting: Timely, regular and comprehensive risk reporting is implemented in various forms, including a risk report. The risk report is an important element for identifying, measuring, managing and monitoring risks within VBW. It is produced on a quarterly basis and covers all relevant risk types. The risk report periodically informs the Managing Board of the movement in VBW's risk-bearing ability and risk situation and focusses on providing a quantitative presentation of management-related information on the risk categories addressed, which is supplemented by brief assessments of the situation and further qualitative information where appropriate. In preparing the report, particular emphasis is placed on data quality in order to ensure meaningful findings.

Processes: Functioning processes form the basis of risk management. Developing these processes and integrating them into day-to-day business procedures is thus a key risk management task in VBW.

New product launches: A uniform approach has been implemented in VBW for the introduction of new products. In addition to ensuring all risks are properly recorded and correctly entered in the control and accounting systems, their mapping in VBW's central systems, which ensures meaningful standardised risk reports and correct external reporting, is a priority.

An efficient, system-supported approval process for Treasury products has been implemented and is improved and developed on an ongoing basis. The correct mapping of all risks in the risk management systems is a priority here. Particular attention is paid to ensuring that it is possible to carry out an independent assessment. This also applies to closed positions. This ensures that the legal requirements for presenting counterparty default risk and collateral management requirements are met.

Backtesting: As estimations relating to probability of default (PD), loss given default (LGD), exposure at default (EAD), credit conversion factor (CCF) and value at risk (VaR) are always based on historical values, their accuracy must be validated periodically by way of backtesting. Backtesting reports are prepared for credit and market risk in all cases. The frequency of reporting depends on the risk type, but the reports are produced at least once a year. The Managing Board is informed of the findings on a timely basis. Any findings giving cause for concern (e.g. if the number of outliers is too high from a statistical perspective) lead to an immediate review of the calculation methods or the models.

Stress testing: Credit, market and liquidity risks undergo regular stress tests specific to the risk types. The crisis scenarios are designed to simulate the occurrence of very unlikely but not impossible events. Atypical tail losses, among other things, can be identified and analysed using this approach. This methodology is a useful supplement to the VaR method, particularly in the case of fat tails.

As well as these stress tests and sensitivity analyses for specific risk types, stress tests covering all risk types are regularly carried out. This process firstly involves defining economic crisis scenarios and deriving the changed risk parameters for the individual risk categories and segments. In addition to the risk side, the effects of the crisis scenarios on the risk coverage capital are calculated. Finally, the various effects of the crisis scenarios on risk-bearing ability are compiled and analysed in a stressed risk sustainability account. Reverse stress tests and portfolio-specific stress tests are also performed.

2.2.4 Risk strategy and internal capital adequacy process

As part of the association pursuant to section 30a of the Austrian Banking Act, VBW is subject to the association's risk strategy. The risk strategy is re-evaluated and redefined annually by the CO Managing Board, taking into account the results from the internal capital adequacy assessment process (ICAAP). It forms the basis for a uniform approach to managing risks throughout the association. The risk strategy clearly and transparently sets out and documents the general framework and principles for risk management to be applied consistently across the association, as well as the design of corresponding processes and organisational structures. Further development of the methods applied for measuring and managing risks is integrated into the risk strategy via the annual update process.

The ICAAP has been established as a revolving management cycle in accordance with international best practice. The process starts by defining a risk strategy, then goes through the process of identifying, quantifying and aggregating risks and concludes by determining risk-bearing ability, allocating capital, establishing limits and the ongoing monitoring of risk. The individual elements of the cycle are performed at varying degrees of frequency (daily for measurement of trading book market risk, monthly for the creation of the risk sustainability account and annually for risk inventory and risk strategy). All the activities described in the cycle are reviewed at least once a year to ensure that they are up to date and appropriate and have been adapted to current circumstances where necessary.

The association defines a risk strategy on the basis of the association business strategy, in order to create consistent conditions and policies for uniform risk management across the association. The association risk strategy applies across the entire association. VBW derives its own risk strategy from the association risk strategy. The core elements of the risk strategy are an integrated limit system and the risk appetite statement (RAS), which are intended to ensure that the risk, capital and performance targets are properly aligned. The limit system – broken down to sub-risk types – and the RAS provide the framework for the maximum risk which VBW is prepared to incur in order to achieve its strategic goals. The RAS indicators have target, trigger and limit values and, like the bank-wide and sub-risk limits, are monitored on an ongoing basis, ensuring that deviations from the risk strategy are promptly identified and corrective measures can be quickly implemented.

The aim of the risk inventory is to ascertain the potential danger posed by significant new risks entered into and to assess significant existing risks. The results of the risk inventory are compiled and analysed for the association, each member institution and VBW. The results of the risk inventory are incorporated into the risk strategy and provide the starting point for the risk sustainability account, as it has to take significant risk types into account.

The risk sustainability account provides the basis for the quantitative implementation of the ICAAP, demonstrating that adequate capital is in place at all times to cover risks entered into and ensuring that such cover is available for the future. For this purpose, all relevant individual risks are aggregated on one side. The existing, previously defined risk coverage capital is then compared with this total risk. Compliance with the total bank risk limit and the single-entity limit determined by the central organisation's Managing Board for the whole association is monitored on a monthly basis, and a risk report is prepared.

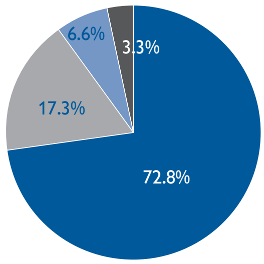
Risk-bearing capacity can be determined based on the different objectives being pursued, which are reflected in three different views.

- Regulatory view (compliance with regulatory capital ratios)
- Economic liquidation view
- Economic going concern view

The regulatory view compares the sum of all risks required by the regulator to be covered by capital according to specific risk measurement methods and defined risk coverage capital (based on CRR/CRD IV and the Austrian Banking Act). Assurance of regulatory risk-bearing ability is a minimum requirement, since it is stipulated by law.

As at 31 December 2015, the total regulatory risk position for VBW is made up as follows:

- Credit risk 72.8%
- Position, product and currency risk 6.6%
- CVA charge 3.3%
- Operational risk 17.3%

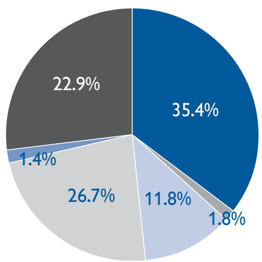


The focus in the economic liquidation view is on safeguarding creditors' claims in the event of liquidation. With this view, risk coverage capital is defined on the basis of “internal” capital. This is based on the regulatory definition, but also includes additional components such as the unaudited interim annual profit/loss as well as hidden losses and reserves. “Internal” processes – usually value at risk – are also employed to determine the total risk position. The analysis takes into account not only the risks the regulator requires to be covered by capital, but also all quantifiable risks regarded as significant in the context of the risk inventory.

A confidence level of 99.9%, derived from the bank's target rating, and a holding period of one year are used to quantify risk in the liquidation view.

The regulatory total risk position for VBW under the economic liquidity approach as at 31 December 2015 is detailed below:

- Credit risks 35.4%
- Investment risks 1.4%
- Market risk, interest rate risk IB 11.8%
- Operational risk 22.9%
- Macroeconomic risk 1.8%
- CO risk distribution 26.7%



The going concern view seeks to ensure the continuation of normal business operations. The going-concern view is based on coverage of risks through capital available in the short term in day-to-day business. It is expected that minor, highly probable risks can be absorbed without jeopardising ongoing business operations. Risk coverage capital therefore primarily comprises only hidden reserves/losses, the annual profit/loss generated in the current business year, the budgeted profit/loss for the next 12 months and capital exceeding the capital ratio set in the risk strategy. The risk quantification is based on a moderate confidence level of 95% and a holding period of one year.

The economic risk sustainability account is regarded as an important view from a management perspective, as the combination of risk measurement and profit calculations allows for risk-adjusted earnings management. Standard performance measurements such as return on equity (ROE) are supplemented by return on economic capital (ROEC), an informative measurement which takes appropriate account of risks, thereby facilitating comparison of performance between departments and laying the foundation for value-based bank management.

2.2.5 Credit risk

The following risk sub-types are grouped under credit risk:
- default risk
- counterparty risk
- concentration risk
- repayment vehicle risk
- transfer risk
- migration risk
- macroeconomic risk
- risk from foreign currency loans

Default risk denotes potential losses that may arise from the default of business partners who are borrowers at VBW.

Counterparty risk is defined as the risk that a business partner in an unsecured over-the-counter (OTC) derivative transaction cannot (fully) meet its contractual obligations, thus causing VBW an actual loss resulting from the positive market value of the derivative transaction (replacement risk).

Concentration risk denotes the risk that a default by a customer will lead to defaults across the whole group of its business relations, even though this relationship would not necessarily entail a group default.

Repayment vehicle risk is the risk that a repayment vehicle into which funds are directed for repayment of a debt does not achieve the desired performance and is ultimately insufficient to cover the debt. This shortfall between expected savings volume and outstanding debt at maturity serves as a guide to the potential loss.

Transfer risk occurs in the case of receivables that cross national borders. In the case of a moratorium, cash flows out of a country are prohibited, even if the borrower is willing and able to pay. The probability of this happening is modelled as an additional surcharge on the probability of insolvency.

Migration risk represents the risk of change in a debtor's creditworthiness expressed as a change in their credit rating and thus their probability of default. These are cases in which losses have not yet materialised but where the likelihood of potential defaults has significantly increased.

Macroeconomic risk is the risk of losses arising from changes in the general economic situation. The risk from foreign currency loans arises due to a mismatch between the currency of the debtor's income and the financing currency. If the exchange rate changes to the customer's disadvantage, the monthly cost to the customer increases, which can result in additional defaults.

Credit risk reporting
VBW performs credit risk reporting on a monthly basis for the purpose of providing a detailed presentation of prevailing credit risk as at the reporting dates of both VBW and the banking association in accordance with section 30a of the Austrian Banking Act. Corresponding reports are produced for VBW and the key business areas. The information is also incorporated into the credit risk sections of the risk report.

The reports contain a quantitative presentation of management-related information on credit risk, supplemented by a short assessment of the situation and further qualitative information where appropriate.

The following analyses form part of the monthly report:
- Portfolio distributions
- Development of new business
- Credit rating distributions
- Non-performing loans
- Credit risk concentrations
- Country group analysis
- Customer segments (customer segment split)
- Sector distributions (commerce)
- Significant CVaR information

These analyses are presented based on different values and ratios, such as unsecured exposure, total exposure, expected loss, existing risk provisions, standard risk costs, non-performing loans and CVaR.

Organisation and risk strategy

Strict separation of sales and risk management units is in place in all VBW units that generate credit risk. All case-by-case decisions are made under strict compliance with the principle of dual control, and clear processes have been stipulated for collaboration between the risk management units in the subsidiaries and risk management at VBW. Processes have been put in place for high-volume transactions to ensure the involvement of operational risk management and the Managing Board in risk analysis and credit decisions. Limit systems combining the decision-making competences of the individual units in a single framework play a key role in this process.

Measuring and controlling credit risk also necessitates the development of sophisticated models as well as systems and processes tailored to the bank's own portfolio. The aim is firstly to structure and improve credit decision making and secondly to use such instruments and their findings as a basis for portfolio management. When implementing these systems, VBW paid particular attention to ensuring that all rating systems use a comparable probability of default (PD) and are connected with the VB master scale, which comprises a total of 25 rating categories. The PD band used enables both comparison of internal ratings with the classifications of external rating agencies and, most importantly, comparison of credit ratings across countries and customer segments.

Loan portfolio and credit value at risk

Credit risk is measured using the credit value at risk (CVaR) method. VBW has selected an analytical calculation method based on an actuarial approach for this purpose. Specifically, an enhanced CreditRisk+ model adapted in line with internal requirements is used for modelling credit risks in the loan portfolio.

CVaR is used for the following tasks:
- Breaking down CVaR into individual segments and customers
- Identifying portfolio concentrations
- Analysing the development of CVaR in existing and new business
- Analysing individual customers' marginal contributions
- Identifying the major drivers behind CVaR changes (for example: new business, exposure at default (EAD), collateral, loss and default rates and risk factor)

The CVaR for credit risk is also used for the following purposes as part of bank-wide management:
- Calculating economic capital
- Ensuring comparability of the risk situation for different types of risk (e.g. credit risk and market risk)
- As a basis for calculating risk-adjusted performance ratios (e.g. ROEC)
- As a basis for allocating capital
- Calculating cost of capital for a loan in ex-ante and ex-post calculations.

The CVaR results also serve as a means of obtaining additional information for portfolio analysis and management. A corresponding report is compiled quarterly.

The most important aim of using credit risk methods and instruments is preventing losses through identifying risks at an early stage. The early warning systems provide for adequate risk management.

Operational risk management and risk control function

Limits

Monitoring, managing and limiting the risk of individual exposures and risk clusters takes place on the basis of the following limits:
- Credit limits for groups of affiliated customers
- Portfolio limits

The group of affiliated customers is used as the basis for limits in new lending within the Association of Volksbanks. Limits stipulated at the Association of Volksbanks level differ from those for merger groups or individual banks. Credit limits for groups of affiliated customers are essentially limits with regard to
- Sovereign and similar risks, including country, central bank, supranational organisation (e.g. EU) and state-guaranteed risks
- Bank and similar risks: These primarily apply to the CO's treasury business as well as investment book investments
- Companies and all other borrowers not categorised as countries or banks; retail clients and municipalities are thereby to be treated as companies for the purpose of credit risk limits

The limits for the maximum gross total exposure are calculated based on percentages of the relevant eligible own funds in line with rating classes. The maximum unsecured exposure is calculated as the percentage of the maximum total exposure (likewise in accordance with rating class) less protection class 1 collateral. If special circumstances mean that the limits have to be exceeded in individual business areas (e.g. charities or pharmacies), the relevant reasons must be given and prior authorisation must be obtained. Limits are reviewed on an ongoing basis at single-entity level through operational risk management at the individual banks and are monitored through central analyses performed by VBW in its role as the central organisation.

At present, VBW primarily uses country risk limits in connection with portfolio limits, with the aim of limiting transfer risk. The target portfolio of the Association of Volksbanks is Austrian business. Foreign business therefore has a limit of 5%.

Concentrations

Concentrations are quantified and assessed in two ways: on a monthly basis in the CVaR calculation and on a quarterly basis when preparing the risk report. This analysis includes, for example, concentrations at individual customer level for corporations, banks and the public sector.

Rating systems

Standardised models are applied in VBW to determine credit ratings (the VB rating family) and to determine the loss value in the event of default. The expected likelihood of each customer defaulting is estimated by means of the VB rating family and expressed using the VB master scale. The VB master scale approach allows for the comparison of borrower credit ratings across regions and customer groups.

The rating classes in rating category 5 cover the reasons that apply for defaulting on a loan and are also used for reporting non-performing loans (NPL). Loans from parts of rating category 4 and loans overdue for more than 60 days are defined as problem loans. An in-depth description of rating methods can be found in the supervisory disclosure on the bank's website.

Counterparty default risk

Counterparty risk for the market values of unsecured derivatives is taken into account by means of credit valuation adjustments (CVA) or debt value adjustments (DVA) – a way of approximating potential future loss in relation to counterparty risk. The expected future exposure (EFE) is calculated using a Monte Carlo simulation. For counterparties for which there are no observable credit spreads on the market, the default probabilities are based on the internal ratings of the Association of Volksbanks.

Legally enforceable netting agreements are in place with the most important counterparties of VBW, which are taken into consideration for internal risk control and calculating capital requirements. VBW does not use an internal model to calculate counterparty default risk.

2.2.6 Market risk

Definition

Market risk is the risk that the value of an asset will change as a result of changes to the price of market risk factors which determine its value. VBW draws a distinction between the following market risk sub-groups:

- market risk in the trading book
- interest rate risk in the investment book
- credit spread risk
- foreign currency risk in open foreign exchange positions
- option risks

Market risk in the trading book

Based on the business strategy, market risk in the trading book of VBW is of minor significance. Management and monitoring of the market risks in VBW's treasury is performed by the independent Market and Liquidity Risk department, which is part of Risk Control. Besides producing daily risk and earnings reports and specifying the limit structure based on the economic capital made available by the Managing Board, the department's main tasks include administration of the front-office systems, CSA management, development of risk measurement systems and monitoring market risk and counterparty limits.

Interest rate risk in the investment book

Entering into interest rate risks is a normal part of banking business and a key source of income. However, excessive interest rate risks can represent a significant threat to earnings and capital. Accordingly, effective risk control that monitors and limits interest rate risk in line with the scope of business is vital for maintaining the bank's risk-bearing ability.

Separation of duties between units entering into interest rate risks and those monitoring such risks is in place.

The asset liability committee (ALCO) is the coordination body for managing ALM processes and is convened monthly in line with the rules of procedure or at short notice if required.

Asset liability management (ALM) is responsible for ensuring appropriate ALM organisation, chairs the meetings of the ALCO and develops the bases and analyses relevant for decision-making.

The Market and Liquidity Risk department is responsible for setting risk measurement methods and developing them on an ongoing basis. Preparing evaluations and analyses, setting parameters and monitoring limits also fall within its remit. The reports it produces serve as a basis for ALCO's decision-making in the performance of its management tasks. The declared aim of interest rate risk management is to capture all material interest rate risks arising from assets, liabilities and off-balance sheet items in the investment book. This requires analysis of both the income effect and the present value effect of interest rate changes using simulation scenarios in the form of statistical and dynamic reports that also incorporate new business.

Credit spread risk

Credit spread is defined as a surcharge on the risk-free interest rate which the purchaser of a security receives for not investing without risk. The credit spread results from the difference between the relevant interest rate (reference interest rate) and the risk-free interest rate. Accordingly, credit spread risk arises from fluctuations in the present value of assets due to the change in credit spreads over time.

The transactions relevant for credit spread risk are investments within the bank's own portfolio, not involving any loans or advances to customers, intended to be held over the long term. This essentially comprises the following asset classes: bonds, funds, securitisations, credit default swaps and promissory note bonds.

Risk indicators are calculated for credit spread risk for these strategic investment book positions. The risk indicators calculated are credit spread value-at-risk (CS VaR) and credit spread sensitivities.

Risk reports

The gap report is an important component of reporting, and it forms the basis for interest rate risk statistics using the gap analysis method. The gaps are determined by allocating products sensitive to interest rate movements to the appropriate maturity band according to their remaining maturity or the points at which interest rates are to be fixed.

In addition, a gap report is produced that approximates the basis risk of positions linked to secondary market yields, for example, by replicating fixed-interest portfolios.

Additional present value reports are produced to obtain further ratios. Besides parallel shifts, tilts in interest rate curves are also simulated. The validity of these scenarios and stress tests is regularly reviewed, and they may be supplemented or replaced.

Market risk control in the trading book

The key task of risk monitoring is the daily estimation of the possible loss that could arise from unfavourable market developments. These value-at-risk calculations are performed in the MUREX risk management system using the historical simulation method.

Historical simulation applies historically observed changes to current risk factor characteristics. This produces hypothetical market risk factor characteristics that can be used as a basis for determining value at risk.

In the next step, the current portfolio is valued using the previously generated scenarios. This produces hypothetical portfolio values that are used to calculate the profit and loss distribution by mapping the differences between the hypothetical future and currently observed portfolio values. VaR is obtained by applying the relevant quantile to the empirically calculated profit and loss distribution.

The time horizon applied corresponds to the minimum legal requirement of one year. The amount of VaR results from the 1% quantile of the hypothetical profit and loss distribution.

The following table shows VaR (99% confidence level, holding period of one day) in the trading book for 2015, broken down into risk types:

31.12.2015 Euro thousand	Interest rates	Currencies	Volatility	Total
Volksbank Wien AG trading book	103	0	74	137

The plausibility and reliability of the VaR figures is reviewed daily by backtesting. This involves comparing the forecast losses ex post with actual trading results. A negative trading result exceeding the potential risk amount calculated by the model is treated as an exception (outlier).

Backtesting at VBW is based on hypothetical trading results assuming an unchanged portfolio. The portfolio used as the basis for the VaR calculation is then revalued the following day with current market risk factors. In 2015 there was one backtesting outlier.

A limit structure reflecting the risk and treasury strategy and approved by the Managing Board is a key element of market risk management.

In addition to VaR, a range of other risk ratios are calculated on a daily basis. These chiefly include interest rate sensitivities and option risk ratios (delta, gamma, vega, rho).

Volume limits for all currencies limit liquidity risk. Management action triggers and stop loss limits are also in place. The MUREX and Bloomberg TOMS front office and risk management systems are available for daily risk control purposes. The external pricing software UnRisk is also used to support the valuation of structured products.

Stress testing

As VaR cannot cover the impact of extreme situations on earnings, extensive stress tests are performed on all trading book portfolios on a monthly basis or ad hoc as required.

Stress testing enables the bank both to assess whether the bank's own funds can absorb potential major losses and to take necessary measures to reduce its risk and retain its equity.

Interest rate risk in the investment book

The risk control system captures all significant forms of interest rate risk, such as basis and option risks. All VBW positions sensitive to interest rate movements are included. The objective of the risk control system is to keep the bank's interest rate risks within the specific parameters defined by the bank.

Positions with no specific lock-in period, which are primarily core deposit products such as savings deposits and current accounts, as well as loans with no fixed maturity, are incorporated into the risk measurement using fictions. The assumptions were based on statistical analyses, historical values or expert opinions. The assumptions are documented, adhered to at all times and regularly reviewed with regard to their validity. Any deviations are also documented and displayed, provided there are objectively valid reasons for them. To approximate the basis risk within the gap process report, products (interest rate swaps, bonds and loans) whose lock-in period is not equal to the interest rate adjustment and is greater than or equal to one year are placed in maturity bands through replication in fixed-interest portfolios. This relates to those positions with interest rates linked to secondary market yields or a constant maturity swap (CMS).

2.2.7 Operational risk

Definition

In accordance with chapter 4 (52) of the Capital Requirements Regulation, VBW defines operational risk in as the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. Legal risk is also taken into account within operational risk.

Organisation and risk strategy

Within VBW, line management is responsible for managing operational risks, with support from experts from the Operational Risk and Internal Control System divisions. The aim is to optimise processes to decrease the likelihood of operational risks occurring and/or the impact of operational losses. Close collaboration with security, safety and insurance management also enables optimal, comprehensive management of operational risks.

Both quantitative and qualitative methods are used to analyse operational risks. Quantitative methods include, for example, performance of stress tests and analysis of risk reports. If there is a significant accumulation of losses in specific areas of the business, qualitative risk analyses are carried out.

When operational risks materialise, the associated events are documented on an electronic platform. The adequacy of risk management and monitoring procedures and of additional measures aimed at minimising risk is assessed on an ongoing basis, at least once a year, and reported to the Managing Board.

Risk management measures include awareness-raising initiatives/training, operational contingency planning, appropriate separation of duties, compliance with the dual control principle and the integration of the internal control system (ICS) into business processes.

VBW has implemented an internal control system (ICS) in accordance with the internationally recognised COSO standard. There are detailed descriptions of ICS procedures and controls. Responsibilities and roles with regard to the ICS are clearly defined, and ICS reporting is regularly carried out. Control activities are documented and reviewed, and ICS-relevant risks are regularly evaluated and updated. This ensures an ongoing process of optimisation. The Audit department reviews the internal control system in its function as an independent monitoring entity. It reviews the effectiveness and adequacy of the ICS as well as compliance with internal rules and regulations.

2.2.8 Liquidity risk

Definition

Liquidity risk is the risk of not being able to meet payment obligations as they fall due or not being able to procure the required liquidity at the expected conditions.

Liquidity risk is managed by allocating cash flows for all assets and liabilities to defined maturity bands and monitoring the net settlement amounts thus derived.

Organisation and strategy

In accordance with the legal requirement to segregate of front and back office functions, liquidity management and control is carried out in the Treasury division based on a holistic ALM approach. Monitoring and limiting liquidity risk and the methodological principles of risk measurement are the responsibility of Risk Control.

ALM Liquidity Management

ALM Liquidity Management comprises the sub-departments of operational liquidity management, liquidity control and liquidity strategy and is responsible for operational liquidity management, short-term reporting and long-term, strategic liquidity management. Liquidity Management is the central department for all liquidity issues in VBW and the Association of Volksbanks. These particularly include liquidity pricing (transfer pricing), central management of collateral across the association, setting the funding structure, managing available liquidity and ensuring compliance with the refinancing strategy.

In addition, liquidity management is documented via the liquidity and funding strategy, the liquidity manual and the liquidity emergency manual.

Operational risk management and risk control function

Operational liquidity management

The operational liquidity management unit uses various instruments and tools to ensure compliance with risk control policies and statutory requirements, carry out daily reporting and ensure short-term liquidity supply for VBW and the association.

Liquidity risk control

Risk reports

Structural liquidity risk is presented by means of a liquidity gap report produced by the Market and Liquidity Risk department that takes into account both deterministic and stochastic capital cash flows as well as interest cash flows for both on- and off-balance sheet products. The cash flows are firstly calculated or modelled in their original currency and are then aggregated and translated into euro. The surpluses and deficits from the cumulative cash flows are identified and analysed using GAP methodology. The report displays the net cash flows for each maturity band, the cumulative cash flow and the liquidity buffer. The liquidity buffer equates to the lending value of the unencumbered assets/collaterals deposited and accepted at central banks, as well as cash in hand and the cash reserve at the National Bank of Austria.

Limits for structural liquidity risk are set using the structural survival period and the net concentration ratio, both in the real case scenario and the stress scenarios. The structural survival period is the period for which the institution is able to meet payments falling due through deposits and the liquidity buffer. Additional funding measures are not taken into account and would extend the structural survival period. The net concentration ratio is the net of cash inflows and cash outflows for a certain maturity band in relation to the liquidity buffer.

The aim of the LCR is to ensure the short-term solvency of banks in stress situations. The NSFR looks at banks' medium- to long-term liquidity position and is intended to limit their use of liquidity maturity transformation. As at 31 December 2015, VBW's LCR was 101%.

2.2.9 Investment risk

VBW defines investment risk as the risk that an investment held will default or lose value. Since this is a material risk, it is quantified and taken into account in the risk sustainability account. Investment risk is divided into the following risks:
- Investment default risk
- Investment impairment risk
- Investment foreign exchange risk

Investment default risk is calculated using the credit value at risk model and included in credit risk reporting. This risk category includes not only traditional investments, but also loans to these investments which correspond to the definition of related parties under IAS 24.

Investment impairment risk is taken into account through reducing the carrying amounts of the investments in the risk sustainability account.

Investment foreign exchange risk refers to the risk of a change in the value of consolidated core capital components in non-euro currencies due to exchange rate fluctuations and is calculated using value at risk via the internal market risk model.

Investment volume as at 31 December 2015 – measured at cost – is euro 215.6 million, of which euro 111.8 million relates to affiliates and euro 103.8 million to participations. Participations and shares in affiliates relate primarily to the financial services sector. Additions from the split-up of VBAG and from the two retail mergers total euro 89.0 million for affiliates and euro 55.5 million for participations. As at 31 December 2015, there were accumulated write-downs of euro 86.1 million on shares in affiliates and euro 83.5 million on participations. Write downs on and provisions for participations and affiliates totaled euro 13.1 million in 2015.

There is a risk of lower earnings and dividends from participations because of the persistently difficult economic environment, especially in the banking sector. This may lead to market values falling in future.

2.2.10 Other risks

In terms of other risks, VBW is confronted with strategic, reputational, equity and business risks.

Strategic risk is the risk of a negative impact on capital and earnings due to decisions on business strategy or failure to adapt to changes in the economic environment.

Reputational risk is the risk of an adverse impact on the bank's result due to a loss of reputation and associated negative effects on stakeholders (regulator, owners, creditors, employees and customers).

VBW defines equity risk as the risk of the bank's equity structure being imbalanced in relation to the nature and size of the bank or of difficulties in the timely acquisition of additional risk coverage capital when needed.

Business risk is the risk arising from earnings volatility and hence the risk of no longer being able to (fully) cover residual fixed costs.

Although other risks are not of material significance to VBW, they are intrinsic to its operations. Other risks are primarily managed through implementation of organisational measures. To protect against other risks, a capital buffer is therefore defined on the basis of the total economic bank risk limit.

2.3 Use of financial instruments

VBW uses interest-, currency- and credit-related derivative financial instruments as well as other derivative financial instruments. With regard to derivative volumes and disclosures on financial instruments pursuant to section 237a of the Austrian Commercial Code (UGB), please refer to the Notes ("Additional Disclosures"). In the investment book financial instruments are primarily used for hedging purposes, to hedge against liquidity, foreign currency, credit spread, interest rate and net asset value risks.

VBW applies the provisions of the Austrian Financial Reporting and Auditing Committee (AFRAC) Opinion "Accounting for Derivatives and Hedging Instruments" from September 2014 governing bank accounting for interest rate risks under corporate law provisions. Provisions were established in the amount of the negative market values for other risks and anticipated losses from derivative financial instruments that arose during the 2015 business year. The effectiveness of portfolio hedges is assessed on an ongoing basis. Appropriate risk provisions are established when ineffective portfolio hedges lead to negative market values.

In the trading book, financial instruments are used to utilise existing or anticipated differences between buy and sell prices or market price fluctuations in the short term. Compliance with the limits in the trading book is monitored on an ongoing basis by the internal Market Risk department and is governed by the "Market Risk" Guideline. Market risk is checked by way of backtesting calculations, which verify the plausibility and reliability of the risk ratios on a daily basis.

Counterparty risk for positive market values arising from unsecured trading book interest rate management derivatives is taken into account by means of credit value adjustments (CVA) – a way of approximating potential future loss in relation to counterparty default risk. The CVA charge is approximated by multiplying the exposure, probability of default, loss given default and add-on factors, which depend on the term and counterparty credit rating of the underlying derivative transaction (interest rates, currencies, equities or commodities) and are expressed as a percentage of the nominal value.

3 Report on research and development

VB Wien is not involved in research and development.

4 Report on key characteristics of the internal control and risk management systems with regard to accounting processes

The objective of the internal control system for accounting is to enable management to ensure that effective internal controls are in place for accounting processes. The Managing Board is responsible for establishing and designing a suitable internal control and risk management system with regard to the accounting process.

Internal Audit also performs regular independent checks of compliance with internal regulations for accounting processes. As a department, Internal Audit reports to the Managing Board, and the Head of Internal Audit reports directly to the Chairman of the Managing Board and submits a report to the Supervisory Board on a quarterly basis.

4.1 Control environment

The internal control system is a system for documenting all controls carried out and builds on the controls that have already been actively implemented within the organisation (operational controls/management controls). The Managing Board sets out a framework for implementing the internal control system in the ICS Guideline (Guideline: Internal Control System).

Implementation of the internal control system for accounting processes is governed by comprehensive internal guidelines and policies. Entries in the general ledger follow the dual control principle. All supporting documentation must bear the signature of the staff member who prepared it and the signature of the person authorised to approve it. The staff member who posted the entry is recorded electronically in the general ledger system.

4.2 Risk assessment

Risks relating to the accounting process are ascertained and monitored by process managers to ensure, in particular, complete and accurate recording of all transactions, timely transfer of invoices and correct calculation and timely payment of taxes. The process focuses on those risks that are considered to be material.

For the preparation of the financial statements, estimates must regularly be made in areas for which there is an inherent risk that future developments may deviate from these estimates. This particularly applies to the following items in and matters affecting the financial statements: impairment of financial assets, risks to the banking business, employee benefits and the outcome of legal disputes. In some cases, publicly available sources will be used or external experts will be consulted in order to minimise the risk of inaccurate estimates.

4.3 Control measures

Control measures are used in day-to-day business processes to ensure that potential errors are prevented and that any discrepancies in financial reporting are identified and rectified. These control measures range from management review of the various results for the period to reconciliation of specific accounts and items and analysis of ongoing accounting processes. A distinction is made between two types of control in the context of the internal control system.

Operational controls comprise manual controls carried out by employees based on specified procedures, automated controls performed using IT systems and preventative controls whose purpose is the proactive prevention of errors and risks through separation of functions, definition of responsibilities and access permissions.

Management controls serve to ensure, on the basis of spot checks, that managers are complying with operational controls. An internal control plan has been prepared in which the relevant manager (head of division/department/group) has determined how frequently checks are to be performed, depending on the level of risk. The spot checks must be documented in the control plan in a way that is verifiable for third parties. The results are reported at half-yearly intervals to the next level of management (management reporting).

All control documentation (operational controls and management controls) is automated using the "BART" software.

4.4 Information and communication

Guidelines and regulations relating to financial reporting are regularly updated by management and communicated to all employees concerned.

Employees in accounting are also provided with ongoing training on accounting reforms, so that risks of unintentional errors can be identified at an early stage.

A management report is produced twice a year. It contains information on the completeness, transparency, active implementation and effectiveness of the control system with regard to accounting processes.

4.5 Monitoring

Senior management regularly receives condensed financial reporting such as quarterly reports on the performance of the various segments and the most important financial indicators. Financial statements that are to be published are subject to a final check by senior employees in accounting, divisional management and the Managing Board before they are forwarded to the relevant committees.

The results of monitoring activities in relation to accounting processes are reported within the management report. The report contains a qualitative risk assessment of processes and documents the number of controls being carried out in relation to the stipulated control volumes.

Internal Audit also performs a monitoring and supervisory function.

Vienna, 29 March 2016

The Managing Board

Gerald FLEISCHMANN
Chairman of the Managing Board
General Secretariat, Organisation / IT,
HR Management, Press Office, Risk Control, Banking Association Strategy

Josef PREISSL
Deputy Chairman of the Managing Board
Compliance Office, Property Subsidiaries, Integration/Operational Risk Governance,
Legal, Audit, Association Risk Management, Risk Retail/SME,
Reorganisation Management, VB Services for Banks

Wolfgang SCHAUER
Member of the Managing Board
Major Commercial, Marketing/Communication, Regional Management/Branches,
Treasury, Sales Management, Front Office Service Center

Rainer BORNS
Member of the Managing Board
Finance

STATEMENT OF ALL LEGAL REPRESENTATIVES

Declaration of all legal representatives

We confirm to the best of our knowledge that the financial statements of the parent company give a true and fair view of the financial position and performance of the company in accordance with the applicable accounting standards and that the depiction of the company's situation, development and results in the management report gives a true and fair view of the company's financial position and performance, together with a description of the principal risks and uncertainties the company faces.

Vienna, March 2016

Gerald FLEISCHMANN
Chairman of the Managing Board
General Secretariat, Organisation / IT,
HR Management, Press Office, Risk Control, Banking Association Strategy

Josef PREISSL
Deputy Chairman of the Managing Board
Compliance Office, Property Subsidiaries, Integration/Operational Risk Governance,
Legal, Audit, Association Risk Management, Risk Retail/SME,
Reorganisation Management, VB Services for Banks

Wolfgang SCHAUER
Member of the Managing Board
Major Commercial, Marketing/Communication,
Regional Management/Branches, Treasury,
Sales Management, Front Office Service Center

Rainer BORNS
Member of the Managing Board
Finance

AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements, including the accounting system, of

VOLKSBANK WIEN AG,
Vienna, Austria,

for the fiscal year from 1 January 2015 to 31 December 2015. These financial statements comprise the statement of financial position as of 31 December 2015, the income statement for the fiscal year 2015, and the notes.

Management's Responsibility for the Financial Statements and for the Accounting System

The Company's management is responsible for the accounting system and for the preparation and fair presentation of these financial statements in accordance with Austrian Generally Accepted Accounting Principles and the regulations of the Austrian Banking Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing. Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of 31 December 2015 and of its financial performance for the year from 1 January to 31 December 2015 in accordance with Austrian Generally Accepted Accounting Principles.

Report on the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the management report is consistent with the financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the management report is consistent with the financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, 29th March 2016

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

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Wirtschaftsprüfer
(Austrian Chartered Accountant)

Österreichischer Genossenschaftsverband
(Schulze-Delitzsch)

Cornelia Albrecht
Revisorin (Auditor)

Michael Groth
Revisor (Auditor)

ÖGV
Österreichischer
Genossenschaftsverband
Schulze-Delitzsch

Resolution of the Association Managing Board

The Managing Board of Österreichischer Genossenschaftsverband (the Austrian Cooperative Association) has taken note of the present Auditor's Report on the audit of the financial statements as at 31 December 2015, including the Group management report, of VOLKSBANK WIEN AG.

Österreichischer
Genossenschaftsverband
(Schulze – Delitzsch)

OFFICERS AND ADRESSES

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VOLKSBANK WIEN AG

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TERMINOLOGY

Association of Volksbanks

The Association of Volksbanks includes all primary banks as well as the Association's steering company (Volksbank Haftungsgenossenschaft eG) and the Association's deposit insurance organisation (Volksbank Einlagensicherung eG).

Banking association in accordance with section 30a of the Austrian Banking Act (BWG)

The banking association comprises the primary banks as associated banking institutions and VOLKSBANK WIEN AG as the central organisation.

Primary banks

status: 26 April 2016

26 regional Volksbanks, 5 specialist banks (Ärztebank, IMMO-BANK AG, Österreichische Apothekerbank, SPARDA-BANK AUSTRIA and start:bausparkasse). Mergers will reduce the number of primary banks to 8 regional Volksbanks and 2 specialist banks.

VOLKSBANK WIEN AG

is a primary bank – as one of the regional Volksbanks – and also the central organisation of the banking association in accordance with section 30a of the Austrian Banking Act (BWG).

Austrian Cooperative Association

Auditing and early detection within the banking association is carried out by the Österreichischer Genossenschaftsverband (Schulze-Delitzsch) – for short: ÖGV. The primary banks, Volksbank Haftungsgenossenschaft eG and Volksbank Einlagensicherung eG are ordinary members of the ÖGV.

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