HYPO LANDESBANK VORARLBERG

Passionate. Sound. Advice.

A BROAD VIEW

HYPO LANDESBANK VORARLBERG
ANNUAL REPORT 2015

KEY FIGURES 2015

Key figures of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft
(Hypo Landesbank Vorarlberg) – Group reporting per IFRS:

in '000 EUR		31.12.2015	31.12.2014	Change	
				in '000 EUR	in %
Total assets		13,902,411	14,185,492	–283,081	–2.0
Loans and advances to customers (L&R)	(17)	9,061,358	8,954,412	106,946	1.2
Amounts owed to customers (LAC)	(32)	4,995,818	4,662,797	333,021	7.1
Liabilities evidenced by certificates (LAC)	(33)	2,402,602	2,313,778	88,824	3.8
Capital resources according to CRR	(67)	1,164,758	1,091,473	73,285	6.7
thereof core capital		874,848	807,813	67,035	8.3
Total capital ratio according to CRR		14.87 %	13.27 %	1.60 %	12.1

in '000 EUR		2015	2014	Change	
				in '000 EUR	in %
Net interest income after loan loss provisions		160,646	95,719	64,927	67.8
Net fee and commission income	(7)	36,566	35,624	942	2.6
Net trading result	(9)	1,020	30,644	–29,624	-96.7
Administrative expenses	(11)	–92,462	–92,101	–361	0.4
Operating result before change in own credit risk		102,910	54,278	48,632	89.6
Earnings before taxes		121,146	53,979	67,167	>100.0

Key figures		2015	2014	Change	
				absolut	in %
Cost-income ratio (CIR)		45.34 %	49.42 %	–4.09 %	–8.3
Return on equity (ROE)		11.67 %	6.45 %	5.22 %	81.1
Employees	(54)	729	723	6	0.8

The shareholders of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft
(Hypo Landesbank Vorarlberg) as at 31 December 2015 are:

Shareholders	Total shareholdings	Voting rights
Vorarlberger Landesbank-Holding	76,0308 %	76,0308 %
Austria Beteiligungsgesellschaft mbH	23,9692 %	23,9692 %
Landesbank Baden-Württemberg	15,9795 %	
Landeskreditbank Baden-Württemberg Förderbank	7,9897 %	
Share capital	**100,0000 %**	**100,0000 %**

Rating*		Standard & Poor's	Moody's
Long-term:	for liabilities with state deficiency guarantee	-	A3
	for liabilities without state deficiency guarantee	A-	Baa1
Short-term		A-2	P-2

* In October 2015, Standard & Poor's (S&P) announced a new rating for Hypo Landesbank Vorarlberg: "A–" for non-current liabilities and "A–2" for current liabilities, with a stable outlook. This makes us one of the best-rated banks in Austria. The Bank is currently rated "Baa1" by Moody's and this rating will remain in place for the time being.

Passionate. Sound. Advice.

HYPO LANDESBANK VORARLBERG

A BROAD VIEW

HYPO LANDESBANK VORARLBERG
ANNUAL REPORT 2015

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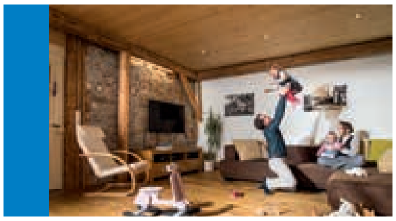

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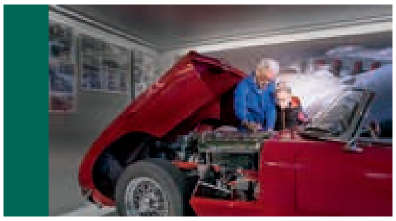

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HYPO LANDESBANK VORARLBERG
CORPORATE BANK | RESIDENTIAL BANK | INVESTMENT BANK

Michel Haller
Member of the Managing Board

Interpersonal contact is irreplaceable. This is why dealing with our customers face to face is so important to us. We take their concerns seriously and do everything we can to support them.

Michael Grahammer
Chairman of the Managing Board

Johannes Hefel
Member of the Managing Board

A CLEAR MESSAGE

HYPO LANDESBANK VORARLBERG FOREWORD – MANAGING BOARD

Dear reader,

Hypo Landesbank Vorarlberg is looking back at one of the most challenging years in its history, but also one of the most successful. So we are all the more delighted to inform you about another very good financial year for our bank in this report. With earnings before taxes of EUR 121.1 million, we more than doubled the previous year's earnings – which is partly attributable to the elimination of the risk provisioning for HETA, which was mostly recognised in the 2014 balance sheet. However, this excellent result also reflects our long-successful business model, our healthy credit portfolio and consistent cost management.

It is especially remarkable that we have constantly been able to produce good results in the years since the 2008/09 crisis. We now count among the top Austrian regional banks with regard to efficiency and profitability. With total assets of EUR 13.9 billion, we are also one of the top ten Austrian universal banks.

Our highlights in 2015

It has been confirmed to us by various institutes that we are on the right track with our corporate policy, which is moderate, risk-aware and focused on sustainable growth. With an "A-" rating from Standard & Poor's and a "Baa1" rating from Moody's, we are one of the best-rated banks in Austria. An excellent credit rating is an important endorsement for our investors and our customers and will help us with future refinancing on the capital market, which will become all the more important in the years to come. The issue of our subordinated bond in autumn, which was sold out in less than three days due to high demand, has already demonstrated that the confidence in Hypo Landesbank Vorarlberg's strength is unbroken.

In Vienna – now an important core market for us – we moved into a new, larger location in the architecturally significant Zacherlhaus building in the 1st district after extensive renovations. Building on this, we want to continue growing in the Vienna region, especially in corporate customer business and in the top segment of the investment business with companies, institutional customers and high net worth private customers.

Focus on high-quality, personal advice

In recent decades, Hypo Landesbank Vorarlberg has participated in many change processes in the banking industry. But we have always preserved one thing – our foundation of customer proximity and regional roots. We value stable, long-term relationships with our customers, but also with other stakeholders. Advancing digitalisation will not change this. In recent months, changed customer requirements have caused a stir in the entire banking industry. We on the Managing Board are also open to new developments, but we do not have to follow every trend.

To shy away from digitalisation is like forgetting the customer; overdoing it brings a high (financial) risk and little benefit for the customer. The challenge for us is therefore to connect existing branches intelligently with digitalisation. Our clear aim is to augment the consulting-heavy core business of Hypo Landesbank Vorarlberg – investment and financing – by expanding digital banking services so that customers benefit from optimum interplay between technology and people. Despite all the advantages offered by digitalisation, it will never be able to replace people.

The big picture

Day to day, our customers appreciate Hypo Landesbank Vorarlberg's integrity, reliability and dependability. Despite a slight decline in total consolidated assets, 2015 we grew in terms of lending and customer deposit business. Our business performance has remained stable for decades because we, the Managing Board of Hypo Landesbank Vorarlberg, maintain a broad view in economically and politically challenging times. As an advisory bank, we like to concentrate on the important details in customer business, but we do so without losing sight of the big picture. In addition, we are conscious of our economic, ecological and social responsibilities. This is why we have chosen the motto "A broad view" as the key theme for this year's annual report.

Maintaining a broad view is a real challenge in the face of the wave of regulations crashing over banks today. This year, we will be challenged by numerous new regulations and laws as well as low interest rates and the advance of digitalisation. As a healthy bank in a good position, we are confident of closing 2016 well. But we expect lower consolidated net income than in previous years because of the lack of non-recurring effects, increasing operating and personnel expenses and higher costs, e.g. due to the deposit protection and resolution fund.

Many thanks

We thank all our customers, business partners and shareholder representatives who continued to honour us with their trust and loyalty and followed our progress in 2015. We would particularly like to thank our employees for their great dedication and the outstanding result. They were once again a crucial factor for the success of Hypo Landesbank Vorarlberg. Thanks to the positive cooperation of all these people, we are well equipped to tackle the challenges of 2016 with confidence and to remain a competent, reliable partner for our customers.

The Managing Board
Michael Grahammer
Johannes Hefel
Michel Haller

A LONG-TERM STRATEGY

HYPO LANDESBANK VORARLBERG INTERVIEW WITH MICHAEL GRAHAMMER

How would you sum up the past year?
2015 was a very challenging year both economically and politically. The domestic banking sector has been made very busy by extraordinary events such as the lifting of the minimum EUR/CHF rate by the Swiss National Bank, the HETA moratorium and numerous new regulations. I would say that 2015 was even one of the most challenging years in the history of Hypo Landesbank Vorarlberg. Nonetheless, we succeeded in continuing the positive earnings development of recent years and reporting earnings before taxes of EUR 121.1 million.

We were able to achieve such an excellent result in this environment thanks above all to our stable customer business, a balanced, healthy credit portfolio and consistent cost management. In addition, the non-recurring HETA effect that significantly encumbered our balance sheet in the previous year no longer applies, and we have used favourable opportunities to buy back our own bonds.

How has corporate customer business at Hypo Landesbank Vorarlberg performed?
Business with corporate customers is one of our bank's key specialisms and encompasses much more than just corporate financing. We give companies comprehensive advice on all bank issues relevant to their business activities at home and abroad: handling subsidies, interest and currency hedging, and of course financing and investment issues. In addition to the traditional lending business, we assist businesses throughout Austria, such as the large real estate company SIGNA, with alternative financing on the capital market. The corporate customer segment was stable in the reporting year, but the palpable reluctance to invest that has persisted for years remained strong. We nevertheless achieved credit growth in the markets of Vorarlberg, Styria and Eastern Switzerland. We benefit from our reliability and dependability, as these values are very much appreciated by customers these days.

How is the financial success affecting the Bank's rating?
Because of an altered rating method and the uncertain situation regarding HETA, Moody's downgraded us from "A2" to "Baa1" in the first half of 2015. With this in mind, we requested a new rating from Standard & Poor's (S&P) – with a very positive outcome: S&P gave us a credit rating of "A-" for non-current and "A-2" for current liabilities, with a stable outlook. We are therefore one of the best-rated banks in Austria with both rating agencies.

The good rating is based firstly on our stable economic situation and our sustainable and thus successful business model. Secondly, the assessment of the state of Vorarlberg had a positive effect, which subjected itself to a professional rating by S&P for the first time as our major shareholder and performed excellently with a long-term rating of "AA+".

For our customers and investors, this is an important confirmation from independent agencies that they can continue trusting Hypo Vorarlberg implicitly. The excellent credit rating also helps to provide access to the planne refinancing on the capital market, which will be important for us in 2016/17.

Curriculum Vitae of Michael Grahammer
Michael Grahammer (51) has been Chairman of the Board since May 2012. In addition to his function as Spokesman for the Board, he is responsible for the areas Corporate Customer Sales, Treasury, Accounting, Human Resources, Communication as well as Participation Administration, Real Estate and Leasing, Insurance Brokerage and Hypo Leasing Italy (Sales). Michael Grahammer has been a member of the Board of Hypo Landesbank Vorarlberg since 2004. He began his career in 1993 at Raiffeisen Zentralbank AG after receiving his doctoral degree in commercial sciences from the Vienna University of Business Administration. In 1997, he became head of the Risk Management Department of Raiffeisenbank in the Czech Republic, and was appointed member of its Managing Board in 1999. In 2000, Michael Grahammer returned to Vorarlberg and was appointed Regional Director of Commercial Business at Erste Bank der Österreichischen Sparkassen AG. In 2001 he joined Hypo Landesbank Vorarlberg where he headed the Leasing Department.

What are your expectations for the 2016 financial year?
Despite numerous uncertainties, the first months of the new year were satisfactory in the core business. The interest and commission business will remain a stable mainstay of the Bank's earnings development, but in 2016 and beyond we expect lower consolidated net income than in previous years. This is on the one hand due to the lack of non-recurring effects and negative interest rates and on the other hand to increasing operating and personnel expenses (partly due to the implementation of new regulations) and higher costs, e.g. due to the deposit protection and resolution fund.

We will augment our consulting-heavy core business – investment and financing – with the expansion of digital banking services. In comparison to the stronger competition, e.g. from direct banks, I therefore believe we are in a very good position. In order to safeguard our profitability, we invested in our Vienna location, which has become our second home market, in 2015 and moved into new, larger premises in autumn. Here, we particularly want to grow in the corporate customer and wealth management segments.

What effects are still expected with regard to HETA?
Public discussions about HETA's guarantees and the potential insolvency of the state of Carinthia have damaged Austria as a financial centre – especially with regard to the confidence of customers and investors. As feared, the state of Carinthia's buyback offer for the state-guaranteed receivables from HETA (buyback at 75 % of nominal value) fell through on 11 March 2016. The finance minister's improved offer of taking up a government bond instead of a cash payment was also rejected by the creditors.

A debt haircut by the FMA is expected soon, which will make the state of Carinthia's guarantees effective. However, Hypo Landesbank Vorarlberg is well equipped for this situation. We have sufficient liquidity and recognised appropriate risk provisions in the 2014 balance sheet. At present, we do not assume that our 2016 results will suffer, but a prompt solution is very much desired as to allow stability to return to Austria as a financial centre.

HIGH QUALITY

HYPO LANDESBANK VORARLBERG INTERVIEW WITH JOHANNES HEFEL

How was 2015 at Hypo Landesbank Vorarlberg in the Private Customers segment?
The environment was very challenging for the entire banking industry thanks to new regulations, persistently low interest rates and advancing digitalisation. So it was all the more gratifying that we generated excellent earnings before taxes of EUR 16.3 million in the Private Customers segment in 2015. Both net interest income and net fee and commission income increased substantially and, in conjunction with our forward-looking cost management, the figures were much higher than planned. We also continued to build on our position as the leading housing bank in Vorarlberg. In total, we lent a volume of nearly EUR 240 million for long-term housing finance. We are also confident for the current year, because customers' desire for their own four walls or for the renovation or extension of properties remains strong, and financing is supported by the low interest rates.

How is the deposits business looking?
The low interest rates are a central issue here too and are making it much more difficult for customers to conserve their wealth in real terms. As a reaction to this, our bank's offers range from interesting interest-bearing capital savings accounts, fund-based savings and savings and loan contracts to our own bond issues with varying maturities and innovative asset management strategies.

What are your bank's strengths in private banking?
In recent years, Hypo Landesbank Vorarlberg has gained a very good reputation in private banking and asset management throughout Austria. Rising customer numbers and volumes show that we have established a quality alternative to other banks. In conjunction with the high quality of our advisory, it is not only our customers who are impressed, but also anonymous testers such as the Munich Elite Report. In 2015, the jury awarded us the highest grade of "summa cum laude" for the fifth time in a row. We are delighted with this award, and at the same time it encourages us to continue as an advisory bank with innovative products in order to respond to the challenges of the capital markets.

How has the wealth management business performed?
Building on our strong foundation in private banking and asset management, we see great potential in the top segment of the investment business with companies, institutional customers such as pension funds and insurers, and high net worth private customers. We have therefore already made extensive investments in personnel as well as moving into new, larger premises in Vienna – from where this segment will be managed for all of Austria. We have thus laid the necessary foundation for further growth in private banking and wealth management. After a successful start, we have set ourselves the target in increasing the current volume considerably. In order to support this, we will also, among other things, enhance our already varied product range with new asset management strategies adapted to the challenging market conditions.

"Digitalisation" is the latest catchword – what measures are you taking to pick up digital-native customers?
It is now a fact that advancing digitalisation is subjecting the banking industry to a period of change. Demand for online services in particular is constantly on the rise. In order to keep up with these

Curriculum Vitae of Johannes Hefel
Johannes Hefel (58) has been a member of the Board of Hypo Landesbank Vorarlberg since 1997. His responsibilities include the departments Private Customer Sales, Private Banking, Wealth Management, Asset Management, Logistics and Marketing. He previously worked as a financial analyst and asset manager in Liechtenstein and Frankfurt (Main) for several years. In 1990, he went to the Management Zentrum, St. Gallen (MZSG) as business consultant and management trainer and, beginning in 1993, worked independently in this field for five years. He then returned to Vorarlberg as a member of the Managing Board at Hypo Landesbank Vorarlberg. In 1982, he concluded his business management studies at Leopold-Franzens-University in Innsbruck with a Master's degree and three years later received a doctoral degree in economic and social sciences.

developments, we have defined an online strategy for Hypo Landesbank Vorarlberg and planned a number of investments in the coming months and years.

It is certainly the case that we are going to respond to the technological progress and changed customer requirements. Our teams are already working on a modern e-banking app and a new sales portal. In addition, we have planned further functional applications for private and corporate customers. However, we aim to remain a "tangible" bank in the future, where our customers can count on personal and high-quality advice. We are certain that our carefully planned branch network can be ideally enhanced by the new digital possibilities.

Is your bank standing by the name "Hypo" or are there plans for a new brand?

The developments regarding the former Hypo Alpe Adria International are certainly a cause to examine the strengths of the name "Hypo". Nonetheless, Hypo Landesbank Vorarlberg is now positioned as a credible and attractive brand. We of course want to strengthen the appeal of our brand even further in order to remain successful. The basis for this is the top performance that our employees deliver every day. Building on this, we will lay even greater emphasis on our core brand values. We intend to remain a strong banking brand as an advisory bank in Austria – even with the Hypo name – and we will do so.

A BALANCED MIX

HYPO LANDESBANK VORARLBERG INTERVIEW WITH MICHEL HALLER

What does your end-of-year review look like from the point of view of the Chief Risk Officer?
Hypo Landesbank Vorarlberg has always pursued a risk-aware lending and business policy. We concentrate on the business areas that we understand and only take risks that we can manage on our own. This principle is an important factor for the long-term success of our bank and is now more valid than ever. This is also shown by the reduction in risk-weighted assets (RWAs) from EUR 8.2 billion to EUR 7.8 billion compared to the previous financial year, although total lending increased by 1.2 % to EUR 9.1 billion. In turn, this development has a positive effect on the capital requirements. This was due to our sharper focus on the core business and the deliberate reduction of loans outside the core business.

How have risk costs developed?
Risk costs at Hypo Landesbank Vorarlberg are low, and we set aside sufficient provisions for all recognisable risks in 2015. As the non-recurring HETA effect from the previous year no longer applies, loan loss provisions decreased by 72.1 % compared to 2014, amounting to EUR 22.8 million as of 31 December 2015. Provisions were already recognised in the 2014 balance sheet for most of the existing receivables from HETA – including the liquidity made available for Pfandbriefbank (Österreich) AG. At the end of December 2015, 3.47 % of our total loans were non-performing. These key figures show that our risk structure is appropriate for the size and business model of Hypo Landesbank Vorarlberg. In addition to professional risk analysis, the high quality of our credit portfolio depends above all on the ongoing monitoring of collateral in order to ensure its recoverability.

How are the Bank's own funds and liquidity figures?
The Basel III capital requirements are being introduced in stages up to 2019. As of 31 December 2015, Hypo Landesbank Vorarlberg's attributable capital resources totalled EUR 1.2 billion – we increased our own funds surplus over the legal requirements from EUR 433.3 million in the previous year to EUR 538.1 million, which provides additional security for our customers. With a total capital ratio of 14.87 % (2014: 13.27 %) and a Common Equity Tier 1 (CET1) capital ratio of 11.17 % (2014: 9.82 %), we already fulfil the regulatory requirements for 2019. Our liquidity figures are in line with the average of similar European banks both in terms of short- and long-term liquidity.

What new regulations are expected in the future?
Among other things, Basel III has tightened capital requirements in recent years. As soon as the implementation of these requirements appears to be mostly complete, already new laws come along. Although certain elements of Basel III will not come into force until 2018 or 2019, "Basel IV" is already being discussed before the effects of the "old" regulations on the real economy can be evaluated. The wave of regulations and the associated high costs of implementation will remain high and raise the warranted question of how to cover these costs. It is certain that the new regulations will result in a substantial rise in the cost of loans.

Curriculum Vitae of Michel Haller
Michel Haller (44) was appointed third member of the Board of Hypo Landesbank Vorarlberg in 2012. His responsibilities include the departments Credit Management for Corporate and Private Customers, Overall Bank Risk Management, Legal, Compliance, Auditing, Fund Services, Securities Settlement, IT/Organisation as well as Real Estate and Risk Management for Hypo Italy. He worked at Hypo Landesbank Vorarlberg from 1995 to 2002, first in the Corporate Customers department and then from 1998 in Treasury, where he headed the Asset Management group. He was also head of Hypo-Kapitalanlage Ges.m.b.H. for two years. In 2002 he became a member of the Board of the Sparkasse Bregenz. Michel Haller was born in Vorarlberg and studied Business Administration and Law at the Leopold-Franzens-University in Innsbruck where he received his Master's degree in 1994.

What changes will there be with regard to deposit protection?
The Austrian Ministry of Finance has drawn up a reform of deposit protection in order to implement European regulations in Austria. In return for the withdrawal of state protection, banks are now required to establish their own deposit protection fund. The aim is that the Republic of Austria will no longer be liable together with the banks for the security of savings up to EUR 100,000 per customer, but instead a bank fund, which first has to be set up. Under this new system, banks will provide the money in advance, not only in an emergency.

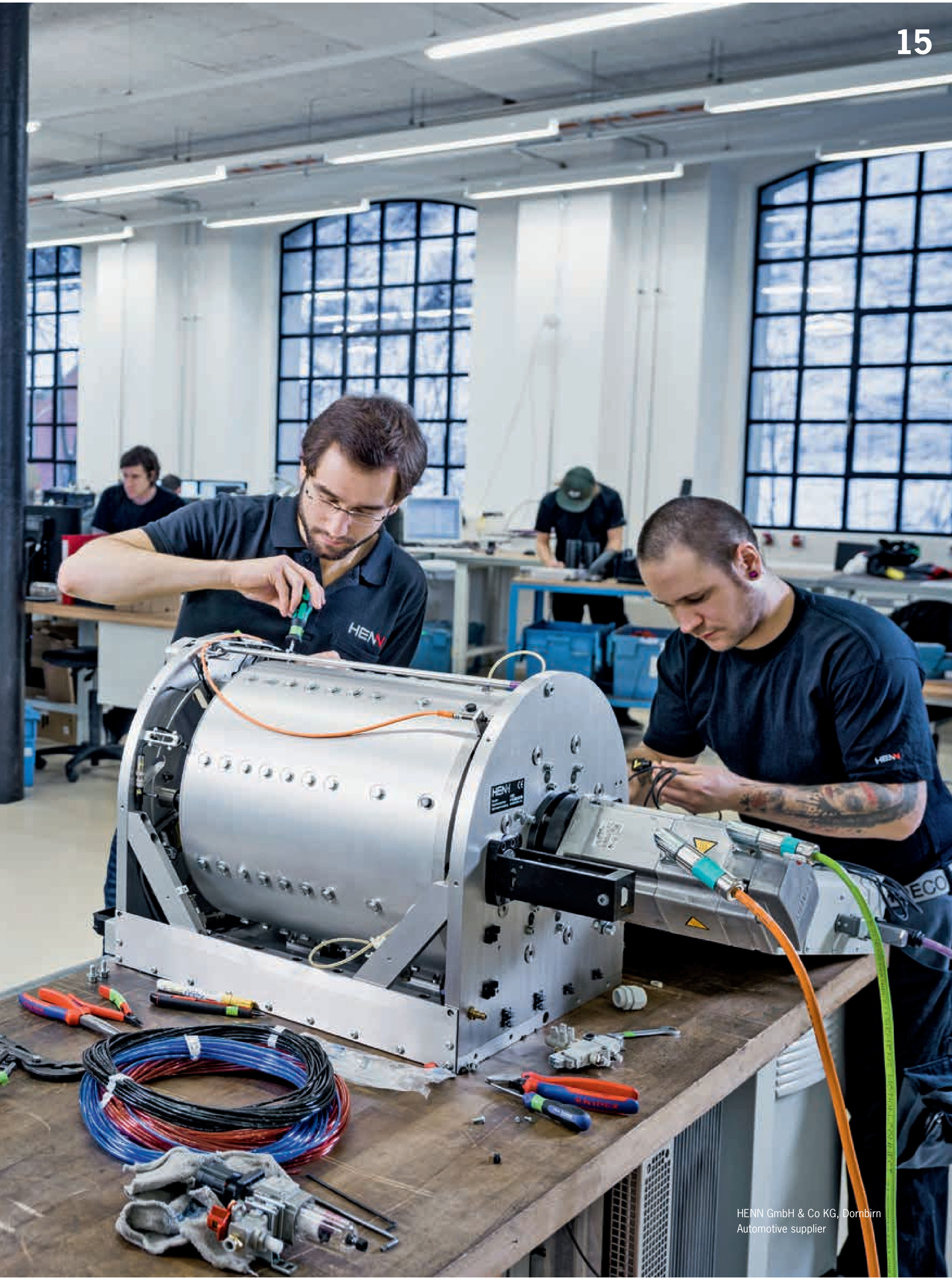
The banks must now – separated into sectors – pay into their fund annually, which alongside the bank levy, resolution fund, etc., will lead to ever increasing costs. In a transitional period up to 2018/19, no material changes are expected in the deposit protection system. Thereafter, the individual sector funds are to be transferred to a single structure. In the further future, a Europe-wide deposit protection fund is under discussion, into which the national funds of all European states would flow. Regardless of further developments, customers can already do something for the security of their savings: make a considered choice of which bank to invest their money with.

How is Hypo Landesbank Vorarlberg implementing sustainability?
With economic sustainability, we can safeguard the profitability of our bank in the long term. In addition, social aspects – with regard to employees and society in general – and the considerate treatment of the environment must not be given short shrift. For example, we joined other large Vorarlberg companies as a founding member of the "Climate Neutrality Alliance 2025". Together, we aim to help solve the climate and environment problem and achieve climate neutrality in the participating companies by 2025 by acting conscientiously and using resources sparingly. According to the Alliance's criteria, we are already climate neutral in 2016, because we offset unavoidable CO_2 emissions with climate-protection certificates of the highest standard in order to support global projects such as reforestation, electricity from biomass and wind power. In addition, we make new investments with the greatest possible climate neutrality, raise our employees' awareness with regard to recycling, resource consumption, business trips, etc., and are constantly on the lookout for further potential improvements

A CONSTANT MOTIVATION

HYPO LANDESBANK VORARLBERG
THE CORPORATE BANK

Domestic companies bring innovation, ambition and hard work. We bring experience, know-how and tailored solutions in every financial aspect. Their success is our goal and our motivation. This creates long-term partnerships for the benefit of our economy and our country.



HENN GmbH & Co KG, Dornbirn
Automotive supplier

ORGANISATIONAL CHART

VORARLBERGER LANDES- UND HYPOTHEKENBANK AKTIENGESELLSCHAFT

Managing Board

Div Corporate Customers
Michael Grahammer, CEO

Corporate Customers Sales
Karl-Heinz Rossmann
- Branch Office for Corporate Customers
- International Services
- Syndication / Structured Finance
- Application Management / E-Banking

Corporate Customers Vienna
Roswitha Klein

Treasury
Florian Gorbach
- Asset Liability Management
- Money, Foreign Exchange and Interest Derivatives Trading
- Securities Customer Trading
- Swapgroup
- Debt Capital Markets

Human Resources
Egon Helbok

Accounting
Nora Frischherz
- Controlling
- Bookkeeping, Accounting
- Data and Document Management

Participation Administration
Emmerich Schneider

Hypo Vorarlberg Leasing, Italy
Michael Meyer
- Sales

Hypo Immobilien & Leasing GmbH
Peter Scholz
Wolfgang Bösch

Hypo Versicherungsmakler GmbH
Harald Dür
Christoph Brunner

Communication
Sabine Nigsch

St. Gallen Branch Office
Dieter Wildauer, RM
Thomas Reich

Div Private Customers/Private Banking
Johannes Hefel

Private Customers Sales | Private Banking
Herbert Nitz
- Branch Offices Private Customers
- Private Banking
- Product Management

Private Customers Vienna | Mobile Sales Unit
Roswitha Klein

Wealth Management
Beatrice Schobesberger
- Vienna
- Bregenz

Asset Management
Roland Rupprechter
- Asset Management
- Fonds Management
- Financial/Research

Logistics
Wilhelm Oberhauser
- Facility and Materials Administration

Marketing
Angelika Rimmele
- Marketing Management
- Advertising
- Marketing Controlling

Div Risk Management
Michel Haller

Credit Management – Corporate Customers
Stefan Germann
- Credit Management – Corporate Customers
- Credit Management Banks & Leasing
- Financial Aids Department
- Credit Management St. Gallen
- Balance Sheet Analysis

Credit Management – Private Customers
Martin Heinzle
- Credit Management – Private Customers
- Certification/Credit Service
- Housing Construction Aids

Group Risk Controlling
Markus Seeger

Law
Klaus Diem
- Central Loan Monitoring Corporate Customers
- Central Loan Monitoring Private Customers
- Contract Law

Compliance
Reinhard Kaindl

Corporate and Internal Audit
German Kohler

Hypo Vorarlberg, Italy
Michael Meyer
- Hypo Leasing (Backoffice – Risk Management)

Alexander Ploner
- Real estate

Fonds Service
Florian Gorbach

Securities Settlement
Nora Frischherz

IT | Organisation
Johann Berchtold
- Information Technology
- Organisation
- Payment Transactions

Compliance
Reinhard Kaindl

Ombudsperson
Martha Huster

Corporate and Internal Audit
German Kohler

Vienna Branch Office
Roswitha Klein, RM
Beatrice Schobesberger, HPB / HWM
Gregor Mader, HPC
Tatyana Blaschek, CEE
Mobile Sales Unit
Lothar Mayer

Graz Branch Office
Horst Lang, RM
Dieter Rafler, BM

Wels Branch Office
Friedrich Hörtenhuber, RM
Iris Häuserer, BM

Bludenz Branch Office
Christian Vonach, BOH
Walter Hartmann, BM

Feldkirch Branch Office
Martin Schieder, BM

Götzis Branch Office
Wolfgang Fend, BM

Hohenems Branch Office
Andreas Fend, BOH

Lustenau Branch Office
Graham Fitz, BOH
Helgar Helbok, BM

Höchst Branch Office
Erich Fitz, BM

Bregenz Private Customers Branch Office
Christian Brun, BOH

Bregenz Corporate Customers Branch Office (incl. Bregenzerwald)
Stephan Sausgruber, BOH

Bregenz Wealth Management
Stefan Schmitt, HPB

Financial Intermediaries
Christoph Schwaninger

Hard Branch Office
Manfred Wolff, BM

Lauterach Branch Office
Karl-Heinz Ritter, BM

Dornbirn Branch Office
Richard Karlinger, BOH
Egon Gunz, BM

Feldkirch hospital Branch Office
Stefan Kreiner, BM

Rankweil Branch Office
Günter Abbrederis, BM

Egg Branch Office
Stefan Ritter, BM

Riezlern Branch Office
Artur Klauser, BOH + HPB
Heinrich Denninger, HCS

Schruns Branch Office
Hannes Bodenlenz, BM

Lech Branch Office
Reinhard Zangerl, BOH + BM

hypodirekt.at Branch Office (Online)
Markus Felder, BM

Private Customers
Raymond Plankel

Private Banking
Stephan Bohle

Key Account Management
Rainer Terwart

Corporate Customers Branch Office Germany
Markus Schmid

Messepark
Stephan Spies, BM

Div Division
RM Regional Manager
BOH Branch Office Head
BM Branch Manager Private Customers
HPB Head of Private Banking
HPC Head of Private Customer Services
CEE Head of Central Eastern Europe
HCS Head of Corporate Services
HWM Head of Wealth Management

EXECUTIVE BOARDS

VORARLBERGER LANDES- UND HYPOTHEKENBANK AKTIENGESELLSCHAFT

MANAGING BOARD

Michael Grahammer
Chairman of the Managing Board, Dornbirn

Johannes Hefel
Member of the Managing Board, Schwarzach

Michel Haller
Member of the Managing Board, Tettnang

SUPERVISORY BOARD

Jodok Simma
Chairman, Chairman of the Managing Board (retired), Bregenz

Alfred Geismayr
Deputy Chairman, Chartered Accountant, Dornbirn

Friedrich Amann
Entrepreneur (retired), Fraxern

Astrid Bischof
Entrepreneur, Göfis (since 17 September 2015)

Albert Büchele
Entrepreneur, Hard

Karl Fenkart
State official, Lustenau

Michael Horn
Deputy Chairman of the Managing Board Landesbank Baden-Württemberg (LBBW), Weingarten

Christian Konzett
Lawyer, Bludenz (until 20 April 2015)

Karlheinz Rüdisser
Deputy State Governor, Lauterach

Nicolas Stieger
Lawyer, Bregenz

Ulrich Theileis
Member of the Managing Board Landeskreditbank Baden-Württemberg – Förderbank (L-Bank), Ettlingen

Bernhard Egger
Works Council delegate (until 19 May 2015)

Bernhard Köb
Works Council delegate

Elmar Köck
Works Council delegate

Gerhard Köhle
Works Council delegate (since 20 May 2015)

Veronika Moosbrugger
Works Council delegate

Cornelia Vonach
Works Council delegate

COMMITTEES ESTABLISHED BY THE SUPERVISORY BOARD

Audit and risk committee

Alfred Geismayr, Chairman
Jodok Simma, Deputy Chairman
Friedrich Amann
Karl Fenkart
Elmar Köck
Veronika Moosbrugger

Loan committee

Jodok Simma, Chairman
Alfred Geismayr, Deputy Chairman
Friedrich Amann
Karl Fenkart
Michael Horn
Bernhard Egger (until 19 May 2015)
Elmar Köck (since 20 May 2015)
Veronika Moosbrugger

Remuneration and nomination committee

Alfred Geismayr, Chairman
Jodok Simma, Deputy Chairman
Karl Fenkart
Nicolas Stieger
Ulrich Theileis
Bernhard Egger (until 19 May 2015)
Elmar Köck (since 20 May 2015)
Veronika Moosbrugger

STATE COMMISSIONER

Gabriele Petschinger

Josef Nickerl
Deputy

ESCROW AGENTS

Heinz Bildstein
President of the State Court, Feldkirch

Helmut Schamp
Deputy, Federal Ministry of Finance, Vienna

ADVISORY BOARD

VORARLBERGER LANDES- UND HYPOTHEKENBANK AKTIENGESELLSCHAFT

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Chairman, Provincial Governor, Frastanz

Hans Dietmar Sauer
Deputy Chairman, Chairman of the Managing Board of Landesbank Baden-Württemberg (retired), Ravensburg

Werner Abbrederis
Managing Director, WA Immobilien & Beteiligungs GmbH, Rankweil

Daniel Allgäuer
Chairman of FPÖ political party, Feldkirch

Gerhart Bachmann
President of Vorarlberg Dental Chamber, Feldkirch

Hubert Bertsch
Managing Director, Bertsch Holding GmbH, Bludenz

Ernst Bitsche
Entrepreneur, Thüringen

Herbert Blum
Managing Director, Julius Blum GmbH, Höchst

Christian Brand
Chairman of the Managing Board of Landeskreditbank Baden-Württemberg – Förderbank (retired), Ettlingen

Birgitt Breinbauer
President of Bar Association Vorarlberg
Lawyer, Dornbirn

Manfred Brunner
Chairman of Vorarlberger Gebietskrankenkasse, Höchst

Guntram Drexel
Supervisory Board of Spar Österreichische Warenhandels AG, Lustenau

Kurt Fischer
Mayor, Lustenau

Stefan Fitz-Rankl
Managing Director, Fachhochschule Vorarlberg, Lustenau

Gerald Fleisch
Managing Director, Vorarlberger Krankenhaus-Betriebs-ges.m.b.H., Dornbirn

Jutta Frick
Managing Director, Bad Reuthe Frick GmbH, Reuthe

Roland Frühstück
Chairman of ÖVP political party, Bregenz

Christof Germann
Member of the Managing Board, Illwerke VKW, Lochau

Adi Gross
Chairman of 'Die Grünen' political party, Lauterach

Heinz Hämmerle
Entrepreneur, Lustenau

Andreas Haid
Mayor, Riezlern

Robert Haller
Hotelier, Mittelberg

Dietmar Hefel
Managing Director, Hefel Textil GmbH, Dornbirn

Joachim Heinzl
Managing Director, Wirtschafts-Standort Vorarlberg GmbH (WISTO), Bludenz

Josef Huber
Managing Director, Huber Invest GmbH, Klaus

Robert Janschek
Managing Director, Walter Bösch GmbH & Co KG, Lustenau

Michael Jonas
President of Medical Association Vorarlberg, Dornbirn

Harald Köhlmeier
Mayor, Hard

Urs-Peter Koller
Entrepreneur, Wittenbach

Oswin Längle
Managing Director, Längle Glas GmbH, Dornbirn

Markus Linhart
Mayor, Bregenz

Hans-Peter Lorenz
Managing Director, VOGEWOSI (Vlbg. gemeinnützige Wohnungsbau- und Siedlungsges. mbH), Dornbirn

Egon Mohr
State official (retired), Wolfurt

Josef Moosbrugger
President of Chamber of Agriculture, Bregenz

Martin Ohneberg
President of Vorarlberg Industrial Association,
Managing Director, HENN GmbH & Co KG, Dornbirn

Johannes Rauch
Member of Vorarlberg government,
'Die Grünen' political party, Rankweil

Manfred Rein
President of Chamber of Commerce, Dornbirn

Jürgen Reiner
President of Chamber of chartered public accountants and tax consultants, Lochau

Hubert Rhomberg
Managing Director, Rhomberg Bau GmbH, Bregenz

Michael Ritsch
Chairman of SPÖ political party, Bregenz

Gerold Schneider
Hotelier, Lech

Thomas Sohm
Managing Director, Etiketten Carini GmbH, Lustenau

Harald Sonderegger
President of the Vorarlberg government, Schlins

Karin Sonnenmoser
Chief Financial Officer, Zumtobel Group AG, Schwarzach

Karl Stadler
Delegate of Administrative Board of POLYGENA-Group, Altstätten

Eduard Tschofen
Chartered Accountant, Feldkirch

Anselm van der Linde
Abbot of Wettingen-Mehrerau, Bregenz

Hans-Jörg Vetter
Chairman of the Managing Board,
Landesbank Baden-Württemberg, Königstein

Stefanie Walser
Chairman of Junge Wirtschaft Vorarlberg
Managing Director, Walser Fashion & Lifestyle GmbH, Dornbirn

A VALUABLE FUTURE

HYPO LANDESBANK VORARLBERG
THE RESIDENTIAL BANK

Your own home is a crucial factor for a secure future. We help to build this future by laying the foundation, so our customers can look forward with peace of mind. We do this with transparency, fairness and the individual solutions that people really need.

Family Baur, Lustenau

A DYNAMIC PROCESS

HYPO LANDESBANK VORARLBERG ECONOMIC ENVIRONMENT

Global economy and euro zone
At the start of 2015, the actual economic data was a surprise after the preceding forecasts. The strong US dollar was a larger thorn in the side of American exports than previously assumed. The first shock on the financial markets in 2015 already came in mid-January: without warning, the Swiss National Bank (SNB) lifted the minimum EUR/CHF rate, which had been introduced to maintain price stability.

In the second quarter, the economic situation in the euro zone increasingly improved. Moreover, the European Central Bank (ECB) decided in favour of a billion-euro bond-buying programme in March, with the aim of buying bonds worth EUR 60 billion every month in order to stimulate inflation.

At the end of the second quarter of 2015, the Greek crisis flared up again. The situation was ultimately defused with a new aid package. The third quarter of the reporting year was characterised by China's flagging economy. Uncertainty regarding the further development of the Chinese economy was intensified by sharp declines in commodity prices and concern about the effects of the turnaround in interest rates in the US. Recessionary trends in Brazil and Russia also gave cause for concern. In October 2015, sentiment on the financial markets brightened again.

The dominant influence of central banks continued: the US Federal Reserve postponed the interest rate increase expected in September so the key interest rates were raised for the first time in several years to 0.5 % only in December. In contrast, the ECB held out of the prospect of a further expansion of the already relaxed monetary policy and extended the bond-buying programme from September 2016 to March 2017.

Austria
As in the previous year, the economy in Austria saw little growth in 2015. According to forecasts by the Institute for Advanced Studies (IHS), gross domestic product increased by 0.8 % in the reporting year; according to the Austrian Institute of Economic Research (WIFO), the economy grew by 0.9 %. This is due firstly to the weak global economy, which dampened foreign trade, and secondly to investment activity, which did not pick up until the year progressed. Dependent on three special factors – the tax reform in January 2016, expenditures for refugees and approved asylum seekers and the housing initiative – the OeNB expects GDP to increase by 1.9 % in 2016. IHS anticipates a growth rate of 1.6 % for 2016. The domestic economy is therefore expected to grow as fast as that of the euro zone.

Austrian companies' investment activity developed very weakly last year according to the OeNB. This was due to negative sales forecasts and declining construction spending. Because of high unemployment and the weak development of real incomes, no notable momentum has been discerned in private consumption for a long time either. Private consumption is expected to receive a boost in 2016 from the tax reform, which will reduce the burden on net incomes, and the public spending for approved asylum seekers and refugees, which will increase nominal household incomes.

According to IHS, the domestic inflation rate in 2015 was 0.9 % (2014: 1.7 %). This is a relatively high figure compared to the rest of Europe, as the inflation rate in the euro zone was just 0.1 % in 2015. Prices were boosted most powerfully by the housing sector, while the decline in energy prices dampened the price surge significantly. Inflation is expected to increase again in 2016 and 2017.

The restrained economic development and rising labour supply were the decisive factors on the Austrian labour market in the reporting year. According to the national definition, the unemployment rate increased to 10.6 % (2014: 8.6 %). The research institutes estimate that the labour market is facing another difficult year. Despite economic growth and rising employment, approved asylum seekers and other migration as well as the increased employment of women and elderly people will result in a sharp increase in the supply of labour on the labour market.

The saving rate of Austrian households, i.e. the ratio of savings to disposable income, was low again in 2015. However, according to the OeNB forecast of June 2015, it will at least increase from 7.5 % of nominal disposable household income in the previous year to 7.9 %. Statistik Austria published a figure of 7.8 % for 2014. Austria's saving rate is rather low compared to the rest of Europe. In the euro zone, it averages over 12 %. According to Statistik Austria, per capita income is falling due to the strong population growth, and low interest rates are also likely to have dampened Austrians' enthusiasm for saving.

According to Statistik Austria, Austria's public debt was 85.3 % of GDP at the end of the third quarter of 2015 (2014: 80.3 %) and thus at a historic high. Since 2014, the level of debt has also included the entire total assets of HETA Asset Resolution GmbH (HETA), the former Hypo Alpe-Adria-Bank International AG's wind-down company. The planned HETA sales are expected to reduce the level of debt again in subsequent years.

Vorarlberg

The results of a recent economic survey make it clear that Vorarlberg is heavily dependent on global developments as a strong export state. The business climate index Vorarlberg industry – an average of the current business situation and expectations for six months – hardly changed in the fourth quarter of 2015 compared to the previous quarter at 28.3 %. The assessment of the current business situation therefore remains at a stable, positive level. 61 % of the surveyed companies rate current business conditions as good, only 1 % rate them as poor. The positive sentiment was mainly attributable to the successful export activity in domestic industry.

However, the outlook for the next six months is considerably modest, which is attributable to the burdens from the political and economic environment: only 8 % of the companies expect business conditions to be more favourable in half a year, while over 80 % assume that the situation will not change.

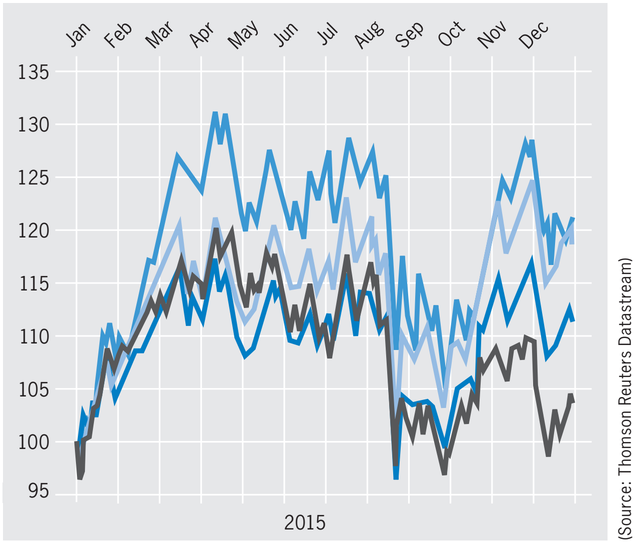
The significant influence of the international environment is expressed in the increasingly heavy pressure on selling prices. 32 % of the companies anticipate falling selling prices in three months. Only 8 % expect to be able to pass on the higher costs to customers in the form of price increases. For this reason, measures are being planned to increase productivity. With regard to staff levels, nearly 8 out of 10 companies expect a stable headcount. The earnings situation is also satisfactory at the moment: 62 % of the companies reported of a good earnings situation and 37 % of an average one. Looking ahead to the next six months, 76 % expected earnings to remain constant.

47 companies with a total of 23,348 employees took part in the survey, which is carried out quarterly by the industrial division of the Vorarlberg Chamber of Commerce and the Industriellenvereinigung (an industrial association).

Stock and bond markets

On the international stock markets, the opening quarter of 2015 was successful despite high fluctuation. The conflicting influences of the turnaround on the bond markets and the sustained crisis in Greece were noticable in April, when the stock markets slid from their highs into a marked phase of consolidation. However, company profits improved, which gave a boost to price/earnings ratios. From August 2015, there were commensurate reactions to the development of the Chinese economy. An additional stress factor came into play with the emissions scandal surrounding Europe's biggest automotive manufacturer Volkswagen, which intensified the negative sentiment.

The market comeback started in October. Market participants reacted calmly to the terror attacks in Paris, as the risk of escalation with economic consequences was considered relatively low. Despite temporary phases of weakness during the reporting year, shares were an attractive asset class.



Global share price development in 2015 (in euros)

Nasdaq Composite, S&P 500, DJ Stoxx 50, Nikkei 225

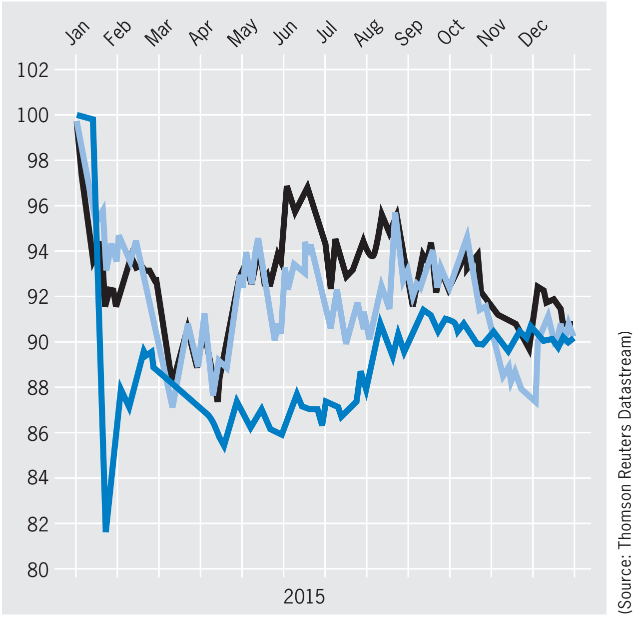
By contrast, the bond markets were much more stable, albeit less profitable. The economic signals from the euro zone did not generally fit in with the sense of crisis on the financial markets and the alarmed attitude of the ECB. Throughout the euro zone, sentiment in the real economy according to purchasing managers' indices was not characterised by growing anxiety.

Commodities and currencies

The development of the purchasing managers' indices was supported by the persistently weak euro in relation to the US dollar and by the repeated decline in commodity prices. The price of crude oil from the North Sea brand Brent was practically in free fall last year, dropping below the USD 40 mark.

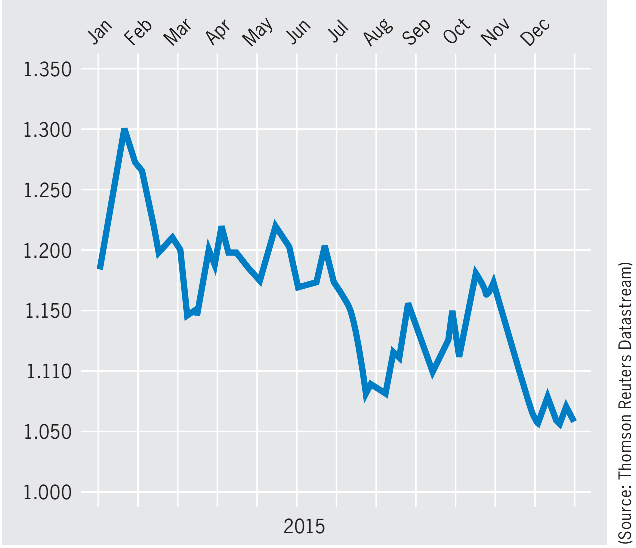
The precious metal gold benefited temporarily from its role as a crisis currency, but it marked a number of lows since 2010 over the course of the year. In connection with this, expectations for inflation declined, which ultimately led to a positive development in bond prices. Even the riskier exposures in this asset class, such as high-yield bonds and emerging economy bonds, displayed a solid performance.

Among the currencies, both the Swiss franc and the US dollar are on double digits against the euro. The Japanese yen and pound sterling also made high-single-digit gains. The commodity currencies were left standing in 2015.



Euro compared to CHF, JPY and USD in 2015

USD, CHF, JPY



Gold price development in 2015

Gold (per ounce)

THE AUSTRIAN BANKING SECTOR IN 2015
(Source: OeNB)

At the end of the third quarter of 2015, consolidated total assets of Austrian banks amounted to EUR 1,076 billion, which represents a decline of EUR 2 billion compared to the fourth quarter of 2014 (EUR 1,078 billion).

At EUR 4.9 billion, the consolidated earnings of Austria's banks as of 31 December 2015 turned out much better than in the same period of the previous year (2014: EUR -0.2 million). This improvement in earnings was primarily driven by an increase in fee and commission income and a reduction in depreciation/ amortisation and impairment. The fact that the losses of the now restructured Hypo Alpe-Adria-Bank International were already recognised in the 2014 balance sheets resulted in a positive effect here. Despite these improvements, the profitability of Austrian banks continues to be influenced by weak economic growth, negative interest rates, shallow yield curves and structural problems.

The traditional business model of Austrian banks, which is increasingly focused on the lending and deposits business, has proved to be a stabilising factor in recent years. The Austrian saving rate declined continuously in the last few years, but, according to the OeNB forecast, was increased in 2015 from 7.5 % in the previous year to 7.9 % of nominal disposable household income. A further increase is expected for 2016. In addition, the low interest rates influenced the growth of deposits at Austrian banks. Total deposits (demand, term and savings deposits) at domestic banks amounted to EUR 326 billion in 2015, 4.3 % higher than in the previous year (EUR 313 billion). The trend towards overnight deposits continued, as shown by the development of demand deposits (+ 12.3 %).

The Austrian Federal Act on Deposit Protection and Investor Compensation at Banks (ESAEG) came into force in mid-August 2015. This will remove the government protection for a portion of the deposits in the future. Instead, the banks are obliged to establish their own deposit protection fund, which from 2019 will be established by the Austrian Economic Chambers. This fund will be paid into continuously and – unlike before – in advance.

On the basis of FMA recommendations, foreign currency loans to private households and non-financial companies in Austria have declined continuously since autumn 2008. At the end of September 2015, outstanding foreign currency loans (predominantly in Swiss francs) to private households amounted to EUR 23.4 billion. Adjusted for exchange rate effects, the volume of foreign currency loans has halved since 2008.

The capital ratios of Austrian banks have improved continuously in recent years as a result of private and government measures to boost capital and reduced RWAs. The average solvency ratio at the end of September 2015 was 15.9 % (31 December 2014: 15.6 %); the average Tier 1 capital ratio was 12.2 % (31 December 2014: 11.8 %).

Compared to the rest of Europe, Austrian banks remain undercapitalised. However, Austrian banks have a better leverage ratio than their international peers because of their more traditional business model. In the OeNB's view, Austrian banks need to continue accumulating capital, especially with regard to their risk profile (e.g. portfolio of foreign currency loans and exposure in Eastern European nations.

Earnings situation of Austrian banks
(Source: OeNB)

EUR billion	2015*	Change in %	2014	2013
Net interest income	8.97	–3.6	9.31	8.80
Operating profit	7.04	16.7	6.04	6.13
Expected earnings from ordinary activities	4.89	> 100	–0.15	–0.46

* Expected values for financial year 2015

A COHERENT PICTURE

STABLE BUSINESS PERFORMANCE IN 2015

In a challenging economic and political environment, Hypo Landesbank Vorarlberg achieved a very good result in the 2015 financial year.

The Managing Board has attached great importance to a risk-aware lending and business policy for many years. This principle is proving – particularly in times of increasing uncertainty and changed risk profiles – to be a major factor in ensuring the long-term success of Hypo Landesbank Vorarlberg. The development of customer deposits and the financing volume conforms to Hypo Landesbank Vorarlberg's strategy, which is oriented towards risk and profit awareness and puts profitability and stability ahead of growth. At EUR 13.9 billion, total consolidated assets as of 31 December 2015 were 2.0 % lower than in the previous year (2014: EUR 14.2 billion).

The current low interest rates are a big challenge for a bank that traditionally operates mainly in customer business. Fortunately, both net interest income and net fee and commission income were increased in 2015. Thanks to stable business performance, operating earnings rose to EUR 102.9 million. Thanks in part to the elimination of the non-recurring HETA effect of the previous year, earnings before taxes amounted to EUR 121.1 million (2014: EUR 54.0 million). Earnings after the deduction of taxes amounted to EUR 93.0 million in the reporting year (2014: EUR 41.3 million). Hypo Landesbank Vorarlberg has always pursued conservative accounting policies and did not change its measurement principles in 2015.

The individual items of the Group's income statement in an annual comparison are as follows:

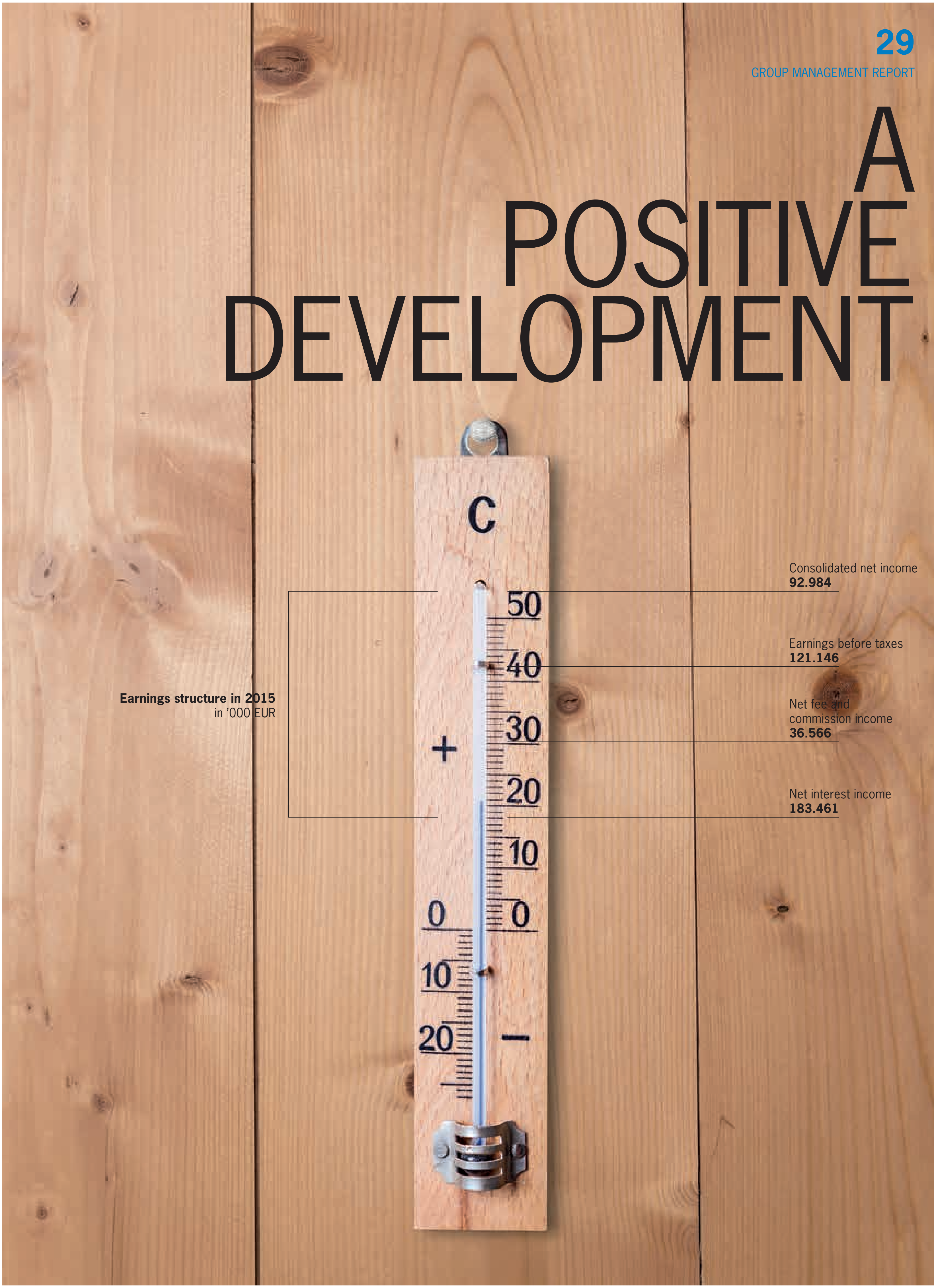
in '000 EUR	2015	Change in %	2014	2013
Net interest income	183,461	3.4	177,414	172,138
Net interest income after loan loss provisions	160,646	67.8	95,719	130,092
Net fee and commission income	36,566	2.6	35,624	36,956
Administrative expenses	–92,462	0.4	–92,101	–91,172
Operating result before change in own credit risk	102,910	89.6	54,278	94,908
Earnings before taxes	**121,146**	**>100**	**53,979**	**96,134**
Consolidated net income	92,984	>100	41,253	74,492

* including risk provisioning for the anticipated creditor haircut at HETA

Net interest income

Interest-related business made a significant contribution to the Group's annual earnings in 2015. Loans and advances to customers increased – partly due to the appreciation of the Swiss franc – from EUR 8,954.4 million to EUR 9,061.4 million (+ 1.2 %), which is also reflected in the positive development of net interest income. Net interest income amounted to EUR 183.5 million, 3.4 % higher than the good level of the previous year (EUR 177.4 million).

A POSITIVE DEVELOPMENT



Net interest income
in ’000 EUR

Loan loss provisions
Hypo Landesbank Vorarlberg concentrates on the business areas whose mechanisms and rules it understands and only takes risks that it can manage on its own. Sufficient provisions were made for all recognisable risks in 2015. Loan loss provisions decreased by 72.1 % compared to the previous year, amounting to EUR 22.8 million as of 31 December 2015. The high impairment and provisions in 2014 were attributable to HETA: appropriate provisions were already recognised in the 2014 balance sheet for the existing receivables from HETA – including the liquidity made available for Pfandbriefbank (Österreich) AG. Following ECB recommendations, the provisions were increased from 40 % to 50 % of the receivables in the first quarter of 2015.

Net fee and commission income
in ’000 EUR

Net fee and commission income for the 2015 financial year was EUR 36.6 million, and is therefore 2.6 % higher than in the previous year (2014: EUR 35.6 million). The increase is mainly due to positive development in the securities business. Alongside securities commission, this item also includes fee and commission income from payment transactions, trading in foreign exchange and precious metals, and from lending business. Further details are provided in the Notes under (7) Net fee and commission income.

Net trading result
Hypo Landesbank Vorarlberg maintains a small trading portfolio per Art. 94 CRR with a focus on customer service. The Bank has no proprietary trading operations other than this. The net trading result includes the result of the valuation of derivatives and amounts to EUR 1.0 million in the 2015 financial year (2014: EUR 30.6 million).

Net result from other financial instruments
The net result from other financial instruments amounted to EUR 15.6 million in the 2015 financial year (2014: EUR 1.1 million). The sharp increase compared to the previous year is the result of high-volume buybacks of emissions by Hypo Landesbank Vorarlberg and Pfandbriefbank (Österreich) AG and subsequent reduction of the volume outstanding of each emission.

Administrative expenses
in ’000 EUR

As well as to the earnings situation, Hypo Landesbank Vorarlberg’s sound business performance is also thanks to consistent cost management. The Managing Board is paying great attention to making corporate structures as lean and processes and work flows as efficient as possible. Rationalisation projects such as functional and process analyses are therefore carried out at regular intervals, most recently in 2014.

The ongoing improvement of productivity and profitability contributes to consistently good key return figures. This ensures a reasonably constant development of administrative expenses and the necessary operating strength – even in a challenging political and economic environment. Total administrative expenses amounted to EUR 92.5 million in 2015 compared to EUR 92.1 million in the previous year.

Staff costs rose by 2.3 % to EUR 58.3 million in 2015 (2014: EUR 57.0 million). Wages and salaries increased by 2.8 % year on year to EUR 43.5 million (2014: EUR 42.3 million). The headcount at Hypo Landesbank Vorarlberg rose from an average of 723 to 729 employees (weighted annual average). Material expenses fell 3.3 % year on year from EUR 30.8 million to EUR 29.8 million. Further details are provided in the Notes under (11) Administrative expenses.

Proposed distribution of profits
The net profit posted by Hypo Landesbank Vorarlberg for financial year 2014 was EUR 78.4 million according to the Austrian Banking Act (BWG) (2014: EUR 33.0 million). After the allocation to reserves, accumulated profits available for appropriation totalled EUR 30.0 million (2014: EUR 5.0 million). Subject to approval by the shareholders’ meeting, a divided of EUR 10 is proposed per entitled share based on the share capital of EUR 156.5 million. The total dividend distribution will therefore be EUR 3.1 million (2014: EUR 3.1 million) for 305,605 shares. For the participation capital issued in 2008, profits are distributed on the basis of an agreed variable interest rate.

Key management indicators in %

	2015	Change in %	2014	2013
Return on Equity (ROE)	11.67 %	81.1	6.45 %	12.41 %
Cost-Income-Ratio (CIR)	45.34 %	–8.3	49.42 %	49.20 %
Total capital ratio	11.17 %	13.7	9.82 %	10.34 %
Tier 1 capital ratio	**14.87 %**	**12.1**	**13.27 %**	**15.42 %**

The transition from Basel II to Basel III has tightened capital requirements. Due to the different type of calculation (according to CRR) since 2014, the figures for 2013 (according to BWG) are no longer directly comparable. The total capital ratio of Hypo Landesbank Vorarlberg was 14.87 % as of 31 December 2015 (2014: 13.27 %); the Common Equity Tier 1 capital ratio was 11.17 % (2014: 9.82 %). Hypo Landesbank Vorarlberg is therefore exceeding statutory requirements, but the Managing Board still attaches great importance to increasing the solvency ratios.

Return on equity (ROE) before taxes was increased from 6.45 % in the previous year to 11.67 %. As of 31 December 2015, the cost/income ratio was 45.34 % (2014: 49.42 %), once again emphasising Hypo Landesbank Vorarlberg's high efficiency and productivity.

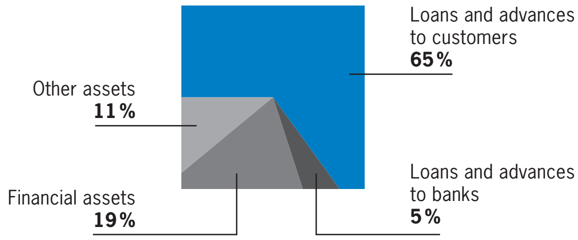
CHANGES IN THE GROUP'S NET ASSETS AND FINANCIAL POSITION

Hypo Landesbank Vorarlberg's total consolidated assets decreased by 2.0 % from EUR 14,185.5 million in the previous year to EUR 13,902.4 million as of 31 December 2015. However, an increase on 2014 was posted in both lending and customer deposit business.

Balance sheet assets in '000 EUR

	2015	Change in %	2014	2013
Loans and advances to customers	9,061,358	1.2	8,954,412	8,485,284
Loans and advances to banks	650,129	–26.4	883,340	1,113,957
Financial assets	2,671,125	–9.7	2,958,874	3,137,187
Other assets	1,519,799	9.4	1,388,866	1,408,749
Total	**13,902,411**	**–2.0**	**14,185,492**	**14,145,177**

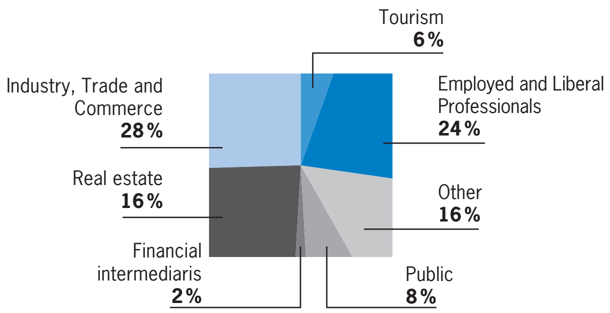
Loans and advances to customers constitute the largest item of balance sheet assets and increased 1.2 % to EUR 9,061 million in 2015 (2014: EUR 8,954.4 million). In contrast, loans and advances to banks fell from EUR 883.3 million to EUR 650.1 million. Financial assets in the form of securities amounted to EUR 2,671.1 million as of 31 December 2015 and fell 9.7 % year on year (2014: EUR 2,958.9 million), while other assets rose by 9.4 % and amounted to EUR 1,519.8 million.



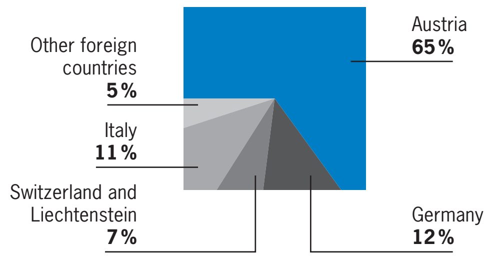
On 15 January 2015, the Swiss National Bank (SNB) unexpectedly lifted the minimum rate of 1.20 francs per euro. This increased the exposure of CHF borrowers by around 10 % as of the end of the year. Due to the continuing low interest rates in Swiss francs, however, Hypo Landesbank Vorarlberg had no major problems in servicing these loans. Where necessary, the Bank offered its customers extensions or suspensions of redemption payments in order to reduce the burden.

Hypo Landesbank Vorarlberg already began strictly limiting the issue of loans in CHF at the beginning of 2009. The proportion of CHF financing in the Private Customers segment at the end of 2015 was approximately 36 %; the proportion of foreign currency financing (largely in CHF) in the Corporate Customers segment was approximately 12 %.

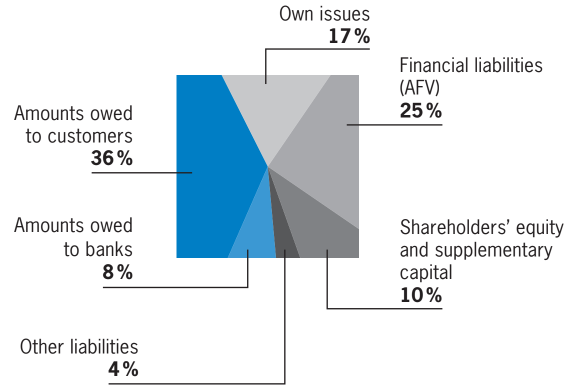
Loans and advances to customers – breakdown by industry
A decline was recorded in loans and advances to customers in industry, trading and other, while lending increased in the commercial, public, tourism and private household sectors. The increase is mainly due to the change in the CHF exchange rate. Further details are provided in the Notes under (17) Loans and advances to customers (L&R).



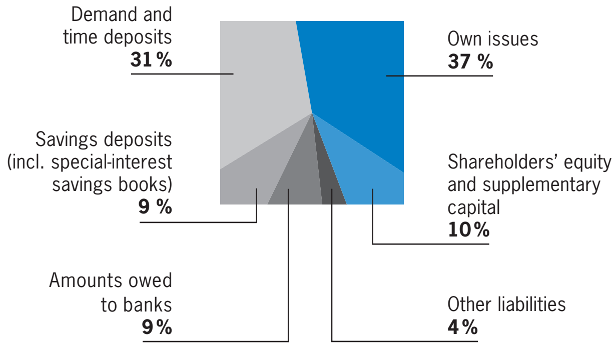
Loans and advances to customers – breakdown by region



Balance sheet liabilities
Amounts owed to banks increased by 11.4 % year on year to EUR 1,144.5 million (2014: EUR 1,027.0 million), and amounts owed to customers rose 7.1 % to EUR 4,995.8 million (2014: EUR 4,662.8 million. The balance sheet item shareholders' equity increased by 9.3 % year on year to EUR 969.1 million (2014: EUR 886.9 million); supplementary capital rose by as much as 15.1 %. Other liabilities fell by 2.7 % to EUR 549.1 million (2014: EUR 564.5 million).



Savings deposits (including capital savings accounts) at Hypo Landesbank Vorarlberg declined again in 2015 and amounted to EUR 1,184.7 million at the end of the year (2014: EUR 1,231.4 million), down 3.8 %. In addition, liabilities evidenced by certificates decreased by 13.7 % to EUR 5,109.9 million (2014: EUR 5,919.4 million).



Statement of changes in equity
As a result of Basel III and CRR, there have been new regulations governing the calculation and reporting of own funds since 1 January 2014. A direct comparison of own funds and solvency ratios with the previous year is only possible from the 2015 financial year.

Composition of capital resources and capital ratios

	2015	2014
Total risk exposure amount	**7,832,981**	**8,226,259**
Common equit y Tier 1 capital (CET1)	874,848	807,813
Additional Tier 1 capital (AT1)	0	0
Tier 1 capital (T1)	**874,848**	**807,813**
Tier 2 capital (T2)	289,910	283,660
Capital resources	**1,164,758**	**1,091,473**
Common equity Tier 1 capital ratio (CET1)	11.17 %	9.82 %
Surplus of common equity Tier 1 capital	522,364	478,762
Tier 1 capital ratio (T1)	11.17 %	9.82 %
Surplus of Tier 1 capital	405,870	355,369
Total capital ratio	14.87 %	13.27 %
Surplus of total capital resources	538,120	433,372

As at 31 December 2015, Hypo Landesbank Vorarlberg's share capital and participation capital amounted to EUR 165.5 million (2014: EUR 165.5 million).

In October 2015, Hypo Landesbank Vorarlberg issued a subordinated bond with a term of ten years, raising supplementary capital of EUR 50 million. This emission is part of the ongoing optimisation measures for a sound, sustainable capital structure. Tier 2 capital (T2) is reported at EUR 289.9 million as of 31 December 2015 (2014: EUR 283.7 million).

The new Basel III capital requirements are being introduced in stages up to 2019. Capital resources according to CRR came to EUR 1,164.8 million as of 31 December 2015 (2014: EUR 1,091.5 million) and are well in excess of the minimum required by law. Hypo Landesbank Vorarlberg also already fulfils the regulatory requirements for 2019 with a total capital ratio of 14.87 % and a Common Equity Tier 1 (CET1) ratio of 11.17 % as of 31 December 2015. Nonetheless, the Managing Board's plans for further sustainable growth and the expectation of new regulatory requirements mean that capital resources are to be increased further.

Total risk exposure (RWAs) fell from EUR 8.2 billion in the previous year to EUR 7.8 billion as of 31 December 2015, which substantially reduced the burden on own funds.

Rating of Hypo Landesbank Vorarlberg
As a result of the HETA moratorium, the rating agency Moody's downgraded the state of Carinthia in March 2015. At the same time, Hypo Landesbank Vorarlberg and Hypo Tirol were placed "under review" and threatened with a reduction in the rating. On 7 May 2015, Moody's downgraded Hypo Landesbank Vorarlberg's main rating from "A2" negative to "Baa1" negative. Hypo Tirol's rating was also downgraded.

Reasons for that were firstly the changed rating methodology and secondly the rating agency's concern that the wind-down of HETA and the resulting liability issues could have negative effects on Hypo Landesbank Vorarlberg's capital adequacy. As a result, banks owned publicly (by states/countries) will no longer receive an uplift in the future. Instead, the regulations of the Austrian Federal Act on the Restructuring and Resolution of Banks (BaSAG) will become more important.

On 16 October 2015, the rating agency Standard & Poor's (S&P) announced a new rating for Hypo Landesbank Vorarlberg. The Bank was given a credit rating of "A-" for non-current liabilities and "A-2" for current liabilities, with a stable outlook. With an "A-" rating, Hypo Landesbank Vorarlberg is in the "upper medium grade" or the "investment grade" category and is therefore one of the best-rated banks in Austria. This rating helps provide access to the planned refinancing on the capital market, which will be important in 2016/17.

S&P attributes Hypo Landesbank Vorarlberg's good performance firstly to the stable economic situation and the sustainable, successful business model. Secondly, a positive effect comes from the very good credit rating of the state of Vorarlberg, which subjected itself to a professional rating by S&P for the first time as the Bank's majority shareholder. The long-term rating of the state of Vorarlberg is "AA+", the short-term rating "A-1+", and the outlook is stable.

Debt moratorium at HETA

By resolution of the Austrian National Council on 8 July 2014, Hypo Alpe-Adria-Bank International AG was transformed into a privately organised wind-down unit without general state liability (Heta Asset Resolution AG). The Austrian financial market authority (FMA) initiated the wind-down of HETA on 1 March 2015 on the basis of the "Federal Act on the Restructuring and Wind-Down of Banks" (BaSAG) in force since 1 January 2015. HETA is the first case of a wind-down under BaSAG.

As part of a moratorium, a payment freeze, or a temporary deferral of HETA's liabilities to its creditors, was declared until 31 May 2016. This also includes HETA's liabilities to Pfandbriefbank of EUR 1,239 million and, among other things, a promissory note loan of EUR 30 million granted to HETA by Hypo Landesbank Vorarlberg.

"Pfandbriefbank (Österreich) AG", universal successor of "Pfandbriefstelle der österreichischen Landes-Hypothekenbanken", is the joint issuing institution of the Austrian Landes-Hypothekenbanken and carried out issues in trust for Hypo Alpe Adria Bank (now HETA) until 2006. All eight affiliated banks (Hypothekenbank Vorarlberg, Tirol, Salzburg, Oberösterreich, Niederösterreich, Burgenland, Steiermark and Kärnten and their legal successors) have joint and several liability for all liabilities of "Pfandbriefbank (Österreich) AG" amounting to EUR 3,343,912,000 (previous year: EUR 5,538,652,000). In addition, the banks' guarantors (the states of Vorarlberg, Tyrol, Salzburg, Upper Austria, Lower Austria, Burgenland, Styria and Carinthia) have joint and several liability

- unlimited for liabilities incurred up to 2 April 2003 and limited for liabilities incurred after 2 April 2003 and up to 1 April 2007
- if maturity does not exceed 30 September 2017.

Hypo Landesbank Vorarlberg holds (included in liabilities of Pfandbriefbank above) bonds totalling EUR 241,236,000 (2014: EUR 450,561,000) under "Liabilities evidenced by certificates" and promissory note loans and bonds totalling EUR 126,603,000 (2014: EUR 259,314,000) under "Financial liabilities – at fair value", so a total of EUR 367,839,000 (2014: EUR 709,875,000), which were issued via Pfandbriefbank.

HETA is not permitted to service its liabilities until the end of the moratorium. In the event of insolvency on the part of Pfandbriefbank, the Pfandbriefstelle Act means that the other Hypo Banks and their guarantors will be jointly liable for its liabilities, so all Hypo-Banks and their guarantors – including Hypo Landesbank Vorarlberg – were required over the course of 2015 to come to an arrangement to offset any liquidity squeezes and provide the required funds for servicing Pfandbriefbank's obligations. In order to stabilise Pfandbriefbank, the member banks came to an agreement regarding funding and payment settlement. It is noted here that there is no connection between Hypo Landesbank Vorarlberg and HETA under company law.
For the existing receivables from HETA – including the liquidity expected to be made available for Pfandbriefbank – Hypo Landesbank Vorarlberg has already made corresponding provisions in the results for 2014. Assuming that the guarantee of the state of Carinthia is valid and (at least partially) recoverable, a valuation allowance totalling EUR 15 million was recognised on the promissory note loan at HETA. A 50 % valuation allowance (EUR 21.0 million) was recognised on the portion of the payments made to Pfandbriefbank attributable to Hypo Landesbank Vorarlberg. A provision of EUR 17.8 million was recognised for the liquidity yet to be provided. On the basis of ECB requirements, the Bank increased the risk provision for HETA and Pfandbriefbank from 40 % to 50 % according to the Austrian Corporate Code (UGB) in the second quarter of 2015.

Events of material importance after the reporting date

The moratorium imposed on HETA Asset Resolution AG by the FMA resulted in a temporary deferral of HETA's liabilities to its creditors. HETA is not permitted to make any payments to its creditors until 31 May 2016. On 21 January 2016, Kärntner Ausgleichszahlungs-Fonds (Carinthian compensation fund, KAF) submitted an offer to purchase the receivables from HETA. The creditors of HETA bonds with Carinthian state guarantees were offered a rate of 75 %, while creditors that hold subordinated debt securities are to receive only 30 %.

The state of Vorarlberg accepted the offer and a majority of shareholders of Hypo Landesbank Vorarlberg approved it. The other Austrian Landes-Hypothekenbanken and the associated Pfandbriefbank likewise accepted the offer. A decision from all creditors regarding acceptance or rejection of this offer was required by the end of the offer period on 11 March 2016. The offer could be successful only if at least two thirds (according to total receivables) approved it. In early March, the Austrian Minister of Finance Hans Jörg Schelling improved the offer: creditors accepting the offer to repurchase state-guaranteed HETA bonds could invest the 75 % in a government bond that would pay out 100 % after 18 years.

The repurchase offer was rejected by the majority of creditors. At present, the Managing Board assumes that the Ministry of Finance and Carinthia will continue to work on a solution up to the end of the moratorium on 31 May 2016. A debt haircut (bail-in) by the FMA is expected soon, which is expected to make the state of Carinthia's guarantees effective.

Hypo Landesbank Vorarlberg is also well equipped for this situation, as it has sufficient liquidity and already recognised appropriate risk provisions for HETA in the 2014 balance sheet. The Managing Board does not currently expect the 2016 results to suffer.

DEVELOPMENT BY SEGMENT

Corporate Customers

Hypo Landesbank Vorarlberg primarily supports mid-sized enterprises with its particular expertise in investment and project financing, subsidies, foreign services and working capital financing and as a provider of alternative forms of financing. Hypo Landesbank Vorarlberg has therefore established itself in the core markets of Vorarlberg, Vienna, Styria, Upper Austria, Southern Germany and Eastern Switzerland and is also the leading corporate bank in Vorarlberg. Leasing, insurance and property services are offered via subsidiaries. Excellently trained and largely long-term employees act as advisors and dialogue partners on an equal footing with corporate customers.

Corporate customer business at Hypo Landesbank Vorarlberg performed stably in the 2015 financial year. Although companies' reluctance to invest, which has been palpable for years, intensified in the previous year, the Bank achieved credit growth in the markets of Vorarlberg, Styria and Eastern Switzerland. Due to low margins, a decline in the lending volume was consciously accepted in the syndication business. In total, this resulted in a slightly increased lending volume of EUR 5,282.2 million (2014: EUR 5,240.7 million). Risk costs remain low due to the positive ratings of corporate customers in the Bank's core markets.

In 2015, the increase in interest income to EUR 87.5 million (2014: EUR 80.1 million) was particularly gratifying. Net fee and commission income was also increased in nearly every market, growing by almost 4 % overall year on year to EUR 12.6 million.

That corporate customers attach great importance to Hypo Landesbank Vorarlberg's good credit rating is shown by the further increase in deposits. Amounts owed to corporate customers grew to EUR 1,856.8 million as of 31 December 2015 (2014: EUR 1,782.8 million).

Overall, the Corporate Customers segment generated earnings before taxes of EUR 42.1 million (2014: EUR 44.0 million) in 2015.

As a traditional corporate bank, Hypo Landesbank Vorarlberg has repeatedly set new priorities in recent years, for example with the Hypo breakfast for entrepreneurs, which takes place twice a year. Numerous entrepreneurs and managed have taken the opportunity provided by the Hypo Academy, which is organised in cooperation with the University of St. Gallen, for further education at a high level. These two functions were readily accepted by around 600 corporate customers and used as a communication and networking platform.

Private Customers

New regulations, persistently low interest rates and high bank density mean that the environment for banks is currently very challenging. At the same time, it is clearly apparent that a sharp focus on customers and the maintenance of close, trusting business relationships are indispensable for the success of a bank. As high-quality consulting and support are priorities at Hypo Landesbank Vorarlberg, the Managing Board attaches great importance to employees with the best qualifications.

Guided by the maxim "Passionate.Sound.Advice.", Hypo Landesbank Vorarlberg's advisors are constantly required to identify customers' requirements and wishes, but also their fears and concerns, and always to render top service. Customers value flexible solutions, fair and above all transparent conditions and a balanced product range geared towards their requirements. The fact that customers regularly recommend us motivates the Bank to continue on the path it has taken.

Hypo Landesbank Vorarlberg offers its private customers a comprehensive product range focusing on residential construction financing and investment advisory services. The position as the leading housing bank in Vorarlberg was improved further in the past year, as customers' desire for their own four walls or for the renovation or extension of properties remains very pronounced. Low interest rates and the appreciation of the Swiss franc helped lending in the Private Customers segment to rise by more than 6 % in 2015 to EUR 1.9 billion now (2014: EUR 1.8 billion). In addition to regular repayments, unscheduled repayments of around EUR 80 million also had to be compensated for.

As well as conventional lending models, the Bank also offers products such as the "Hypo-Lebenszeitkredit" and the "Hypo-Lebenswertkredit" in order to meet customers' various requirements. The employees' great specialist expertise is demonstrated by the fact that there were no actual defaults in the housing segment in 2015. In general, the loan loss provisions required in the Private Customers segment are at a very low level.

Low interest rates are also the central issue in deposits business, but they are making it much harder for investors to find returns. Hypo Landesbank Vorarlberg's offerings therefore range from very conservative products such as capital savings accounts to variable bonds with different maturities, sometimes upper and lower interest rate limits. Many customers continue to invest in real assets, preferably properties. The Bank's excellent credit rating was confirmed by the announcement of the S&P rating, which contributed to the fact that the subordinated bond issued in the autumn sold out within a few days.

Closeness to customers and personal advice are an important part of Hypo Landesbank Vorarlberg's corporate philosophy. Despite this, the change in customer behaviour is taking its toll. So, after careful consideration, it was decided to close the two branches in Gaschurn and Vorkloster in the first half of 2015. In both cases, the Bank is represented by another branch in direct proximity. All employees from these locations were able to move to other branches. The Bank is accommodating its customers with increased field services and appointments outside business hours, which have been very well received in recent months. No further branch closures are planned for 2016 or 2017.

The online savings platform hypodirekt.at is now used by around 9,000 customers from across Austria. Deposits totalling EUR 180 million were reported at the end of 2015. With regard to the overnight savings account, Hypo Landesbank Vorarlberg focuses on absolute transparency and clear parameters in determining interest rates. As demand for online services is persistently high and the Bank is pursuing further growth, further investments will be made in this area.

The continued intense competition between banks in deposits business and falling interest rates are resulting in considerable pressure on conditions and margins. However, ongoing efforts are having a positive effect on earnings in the Private Customers segment. In 2015, Hypo Landesbank Vorarlberg generated earnings before taxes of EUR 16.3 million (2014: EUR 6.1 million) in the Private Customers segment. Despite the low interest rates, net interest income was increased from EUR 31.3 million in the previous year to EUR 35.5 million. Net fee and commission income was also considerably higher than in the previous year at EUR 19.7 million (2014: EUR 17.7 million).

Private Banking and Asset Management

Asset Management

2015 was a very positive year for Hypo Landesbank Vorarlberg's Asset Management division, although market environment in the second quarter was patchy and marked by high volatility. Customers benefited from a good year on the stock market overall. Despite sharp fluctuations – there are 3,000 points between the annual low in September of 9,325 and the record high in April of 12,390 – the DAX grew by 9.6 % overall. The German benchmark index therefore closed with growth for the fourth year in a row – the longest winning streak for nearly a decade.

There was high customer demand 2015 for product innovations such as Hypo IQ Maximum Return, the Hypo Value Momentum (individual shares) strategy and the Hypo Weltdepot Dynamik 90 (shares) strategy with value protection. The Hypo PF Absolute Return fund, launched at the end of 2014, met with a particularly strong response. Since its launch, its fund assets have grown to over EUR 50 million. This fund features broad diversification in different asset classes, the use of long-term value protection strategies and investments in long/short bonds and stock market index futures.

Despite historically low interest rates, Hypo Landesbank Vorarlberg's dynamic bond and share concepts performed very positively in 2015.

Owing to the high demand for individual optimisation of customer portfolios, Hypo Landesbank Vorarlberg's Asset Management division has developed an innovative, computer-assisted optimisation tool. Efficient combinations of in-house asset management strategies are calculated based on the customer's willingness to take risks and the returns expected in the individual asset classes. This service has proved itself over the past two years and is in strong demand from both private and institutional investors. More than 500 customer portfolios have already been optimised using this professional tool.

The Bank acquired many new customers in the past year thanks to the quality of its services and its good reputation. New cash inflows due to new asset management strategies and the expansion of the service range – e.g. the computer-assisted optimisation of customer portfolios – led to an increase in customer funds under management. As at 31 December 2015, assets under management at Hypo Landesbank Vorarlberg totalled EUR 895.0 million (previous year: EUR 804.2 million), with the number of mandates managed increased from 2,874 to 3,154.

Superior Private Bank
In private banking and asset management, Hypo Landesbank Vorarlberg has earned an excellent reputation in recent years and has established itself as a quality alternative to other private banking providers. The high quality of advice in conjunction with innovative asset management products not only wins over customers but also, at regular intervals, anonymous testers.

The Elite Report, the largest and most comprehensive industry test of its kind, has awarded Hypo Landesbank Vorarlberg the highest grade of "summa cum laude" for the fifth time in a row. Of 362 tested banks and asset managers, only 45 were worthy of an unqualified recommendation. In Austria, Hypo Landesbank Vorarlberg is one of the top asset managers alongside three other banks. Hypo Landesbank Vorarlberg is also listed among the all-time best in the Berlin Fuchsbriefe.

These accolades are an endorsement of Hypo Landesbank Vorarlberg's persistence as an advisory bank and repeated creation of innovative products in order to respond to the challenges of the capital markets.

Expansion of Wealth Management
The Bank sees good growth opportunities in Private Banking and Asset Management. For this reason, extensive investments have already been made in personnel in this segment. Based on this foundation, Hypo Landesbank Vorarlberg intends to continue expanding the top segment in the investment business with companies, institutional customers such as pension funds and insurers, and high net worth private customers (Wealth Management) in Bregenz and Vienna. The already varied product range is being enhanced with new asset management strategies adapted to the challenging market conditions. In order to strengthen its presence in the Vienna region, Hypo Landesbank Vorarlberg moved into its new location in the Zacherlhaus building in the 1st district of Vienna in November 2015. The Managing Board is thus sending a clear signal for future growth.

International performance standards in asset management
Since 2005, Hypo Landesbank Vorarlberg has been the first and still the only Austrian bank whose asset management is certified according to the internationally-recognised Global Investment Performance Standards (GIPS)®. Most recently in March 2015, the auditing company PricewaterhouseCoopers Zürich successfully examined and audited the Bank's asset management with regard to its compliance with these standards.

Treasury/Financial Markets

2015 brought a number of surprises for the Austrian and international capital markets. The lifting of the minimum exchange rate of EUR/CHF 1.20 caused the Swiss franc to strengthen to below parity with the euro in the short term. Although the situation calmed down over the course of the year, the SNB's decision had a considerable influence on interest rates in Switzerland. This also affected CHF loans linked to variable interest rates and the CHF interest rate derivative business of Hypo Landesbank Vorarlberg.

The Austrian government's decision to apply the newly introduced Federal Act on the Restructuring and Wind-Down of Banks (BaSAG) to HETA on 1 March 2015 noticeably unsettled investors. In turn, this influenced market prices of Austrian bank bonds, especially state-guaranteed bonds of Hypo Banks and Pfandbriefbank (Österreich) AG. Hypo Landesbank Vorarlberg used investors' offers for sale to buy back its own bonds with a volume of around EUR 756 million. These bonds were then repaid by Hypo Landesbank Vorarlberg or Pfandbriefbank.

Over the course of the reporting year, lease receivables were securitised (ABS) at Hypo Vorarlberg Leasing AG in Bolzano. The senior tranche of EUR 299 million is to be used for the Bank's refinancing in 2016 and subsequent years.

The economic downturn in China, the sanctions against Russia and the decline in commodity prices – especially the oil price – resulted in considerable volatility on the capital markets. The Financial Markets segment generally mastered the challenges of 2015 and contributed a considerable EUR 57.0 million to comprehensive income (2014: EUR 30.8 million).

Asset liability management – investment
In 2015, Hypo Landesbank Vorarlberg invested a net volume of EUR 389.6 million in bonds. The weighted remaining term of the new investments is 5.5 years. The average asset-swap spread of the new investments is 0.47 % and the average rating is "A+". The original volume planned for new investments was revised downwards over the course of the year. In consideration of the risk weighting investments were made in an equity-sparing manner. Major decision-making criteria for the new investment in bonds were LCR or ECB eligibility and eligibility for the public covered pool. Hypo Landesbank Vorarlberg continued to adhere to a low-risk investment policy.

Asset liability management – funding
In total, Hypo Landesbank Vorarlberg made 18 new issues with a total volume of EUR 939.7 million in the reporting year, comprising seven private placements, ten retail issues and one EUR mortgage bond benchmark issue. The mortgage bond

issued in the first quarter was topped up from EUR 300 million to EUR 500 million due to high demand. The highest demand came from investors from Germany and Austria, followed by the UK. In the distribution of types of investor, banks took first place, followed by central banks, insurers and asset managers.

Money, foreign exchange and interest rate derivatives trading

The ECB's interest rate and central bank policy had considerable effects on the performance of the euro exchange rate against other currencies over the course of the year. The short-term interest rates in interbank trading fell well into negative figures, which made it more expensive to maintain liquidity in the short-term.

Due to several extraordinary events, readily accessible short-term liquidity also fluctuated at Hypo Landesbank Vorarlberg in 2015. In total, however, there was liquidity inflow of approximately EUR 100 million over the course of the year; at the end of the year, money trading had close to EUR 400 million to invest. As a result of the credit balances in overnight customer accounts, available cash holdings were likewise invested on a very short-term basis, often directly with the central bank. Money trading managed the Bank's short-term liquidity with approximately 1,700 transactions and a total volume of just over EUR 45 billion.

In foreign exchange and interest rate derivatives trading with customers, a year-on-year increase was achieved in the number of transactions and therefore income. In total, over 3,300 customer transactions were carried out in this segment with a total volume of EUR 3.1 billion. The increase occurred chiefly due to the return of volatility to the foreign exchange markets. In contrast, the sub-segment of interest rate derivatives trading was hampered by regulatory requirements and the markedly low interest rates.

Fund Service

The Fund Service unit was administering 63 mandates as at 31 December 2015, which corresponded to a managed volume of EUR 6.4 billion. The decline of 5.9 % year on year is largely due to the. transfer of certain funds to new depositaries and to two fund closures. As of the end of 2015, the paying agent function was performed for 117 UCITS and three AIFs. The same number of fund tranches is expected in 2016. As a tax representative, the Bank calculated and reported dividend-equivalent income and capital gains for 403 mandates in 2015.

Securities trading (non-proprietary)

The German stock market reached a new all-time high in the second quarter of 2015, but volatility was especially high in the second half of the year. The branches' annual securities trading volume was around EUR 1.62 billion in 2015, which is an approximately EUR 462 million or 39.8 % rise on the previous year. Due to the low returns, especially in euro, less customers tended to invest in bonds. In contrast a sharp increase in orders was observed for stocks.

Swap unit

As at 31 December 2015, the swap unit managed 1,134 swaps and interest rate options with a nominal volume of approximately EUR 10.0 billion, which is a slight decline on the previous year. On the basis of market development, the holding of cash and securities collateral decreased to EUR 95.6 million.
EMIR ("European Market Infrastructure Regulation") was also an important issue in 2015. Further adjustments were required on the basis of the Level II validations for reporting. In addition, the regulatory standards regarding the clearing obligation for interest rate derivatives were published in the Official Journal of the European Union on 1 December 2015. Hypo Landesbank Vorarlberg will implement them over the course of 2016.

Debt Capital Markets

After the successful start of the Debt Capital Markets business segment in 2014, it was expanded further in 2015. The bond of ZIMA Holding AG, for which Hypo Landesbank Vorarlberg acted as sole lead arranger, has already been placed in the previous year. The value date was in January 2015. In addition, the issue of a promissory note loan for SIGNA Holding GmbH with an issue volume of EUR 75 million was supported as sole lead arranger and book runner. A number of further mandates were also acquired for the placement of bond issues, e.g. as co-lead manager for the covered bond issue of an Austrian issuer.

Corporate Centre

In addition to these business segments, the "Corporate Centre" item includes the refinancing of investments. The Corporate Centre contributed earnings of EUR 5.7 million in 2015, while the earnings in the previous year were negative at around EUR –26.9 million due to the high loan loss provisions.

MAJOR SUBSIDIARIES OF HYPO LANDESBANK VORARLBERG

Hypo Immobilien & Leasing GmbH

Hypo Landesbank Vorarlberg's entire Austrian and Swiss leasing and real estate business is combined in the subgroup "Hypo Immobilien & Leasing". The range of real estate services offered by Hypo Immobilien & Leasing GmbH extends from real estate brokerage through property appraisal, construction and property management to facility management. For private customers and particularly for SMEs, it offers optimal financing solutions involving vehicle, movables and real estate leasing. Hypo Immobilien & Leasing GmbH has its headquarters at the Hypo Office in Dornbirn and additional locations in Bregenz, Bludenz, Feldkirch and Vienna.

While real estate brokerage services are offered in Bregenz, Bludenz and Feldkirch, leasing customers are supported by specialists in Dornbirn and Vienna. Marketing activities in the Austrian leasing market are carried out by consultants at the offices of Hypo Landesbank Vorarlberg. The Swiss leasing market is managed directly by an in-house sales team. As at 31 December 2015, Hypo Immobilien & Leasing GmbH had a headcount of 48 employees.

At the end of October 2015, the Vienna team of Hypo Immobilien & Leasing GmbH moved to the new location of the Bank in the Zacherlhaus. It is therefore possible to intensify the cooperation with the Vienna branch's advisors and to supplement the advisory services for customers. The property appraisal area was expanded further over the course of 2014, particularly in the Vienna region. As has been the case in Vorarlberg for years, the team carries out valuations for Hypo Landesbank Vorarlberg especially for financing purposes.

Each year, property experts publish points of reference in a recommended price brochure to be used when valuing property. In order to make it easier to access this information, Hypo Immobilien & Leasing GmbH is the first real estate company in Vorarlberg to develop a mobile recommended price app which users can download free-of-charge onto their iPhone, iPad or Android smartphone.

For 2015, Hypo Immobilien & Leasing GmbH reported earnings before taxes of EUR 0.9 million (2014: EUR 1.0 million). The consolidated earnings before taxes of the companies mainly included in the consolidated financial statements and belonging to the real estate and leasing subgroup came to EUR 4.3 million as at 31 December 2015 (2014: EUR -7.9 million). The volume of new business in the movables and vehicle leasing sector amounted to EUR 34.9 million in the 2015 financial year; in real estate leasing, new business amounted to EUR 5.4 million.

Hypo Vorarlberg Leasing AG, Bolzano
Hypo Vorarlberg Immo Italia GmbH, Bolzano

Hypo Vorarlberg Leasing AG in Bolzano develops leasing solutions in the real estate and mechanical engineering sectors and offers its products and services on the northern Italian market. The subsidiary also has branches in Como and Treviso.

New business on the Italian leasing market grew by 5.5 % to a total of EUR 17 billion in 2015. Increases were particularly notable in vehicle and movables leasing, while real estate leasing fell by 4.5 % in the same period. There was a smaller decline in construction leasing than in the financing of already completed properties.

Hypo Vorarlberg Leasing generated new volume of EUR 50 million in 2015. As planned, the company focused on projects in the Trentino/South Tyrol region. As in previous years, emphasis was placed on top-quality lessees, valuable lease assets and appropriate advance payments and securities for new leases.

The Italian real estate market was slightly improved but still weak overall in the reporting year. In response to the difficult market situation, increased risk provisions were recognised to safeguard existing unsecured exposures with regard to problematic contracts and properties to be sold in the portfolio. Hypo Vorarlberg Leasing therefore posted a loss after taxes of EUR 6.5 million for 2015, even though a record level of net interest income was generated at EUR 13.2 million.

After intensive preparation, the application for entry into the new register 106 for financial intermediaries was submitted to Banca d'Italia. In December 2015, lease receivables of Hypo Vorarlberg Leasing totalling EUR 495 million were successfully securitised. The senior tranche (EUR 299 million) with a rating of "A1" from Moody's and "A" from S&P is to be offered to the ECB via the parent company in 2016 for the purposes of convenient refinancing.

In 2016, Hypo Vorarlberg Leasing AG is aiming to achieve new volume of approximately EUR 60 million, which is to be acquired selectively and in compliance with strict risk criteria. More interesting projects are also to be carried out in movables leasing, using the new tax opportunities (140 % depreciation and Sabatini grants), especially in the Trentino/South Tyrol region.

At Hypo Vorarlberg Immo Italia GmbH, the 2015 financial year was defined by increased demand for commercial properties. This positive trend began at the end of 2014 and continued in 2015. The decline in property prices also continued to slow in comparison to previous years. For these reasons, there was a considerable increase in property sales compared to 2014, and a number of occupancy and rental agreements were concluded. Previously vacant properties were thus put to use. In the reporting year, the company carried out a number of investments in portfolio properties were thus put to use. In the reporting year, the company carried out a number of major investments in portfolio properties in order to increase their attractiveness on the market.

Hypo Vorarlberg Immo Italia GmbH reported earnings before taxes of EUR 70,700 in 2015 (previous year: EUR 65,000). The negative property price spiral of previous years is expected to end in 2016.

Hypo Equity Unternehmensbeteiligungen AG (HUBAG)

Hypo Equity Unternehmensbeteiligungen AG (HUBAG) is an alternative investment fund according to the Alternative Investment Fund Manager Directive (AIFMD) in the field of venture capital and private equity. The core business focuses on financing small and mid-sized enterprises – primarily by providing equity. HUBAG's investors include Hypo Landesbank Vorarlberg, Hypo Tirol Bank, Volksbank Vorarlberg as well as insurance companies, foundations and the management. Private equity entails higher valuation risk than other assets.

After the company took a consolidated net loss of EUR 1.5 million as a result of non-recurring effects in the 2013/14 financial year, comprehensive income according to IFRS of EUR 2.0 million was generated in the 2014/15 financial year. Total assets remained virtually stable at EUR 116.4 million (previous year: EUR 117.3 million).

In June 2015, HUBAG's management company was granted a licence as a manager of alternative investment funds according to AIFMD by the Austrian FMA. The AIFMD governs the approval, management and marketing of alternative investment funds – such as venture capital and private equity funds – within the European Union.

Due to the targeted portfolio reduction, the financial assets are now concentrated on just a few indirectly held investments. Accordingly, HUBAG and its subsidiaries carried out a small new investment in a holding company and subsequent financing for a company in the biotech industry in the past financial year.

The 2015/16 financial year will be particularly characterised by preparations for the exit of two high-volume investments.

Hypo Versicherungsmakler GmbH

The reporting year was shaped by upcoming changes in the insurance industry. Due to the persistently low interest rates, the FMA enacted a cut in the guaranteed interest rate in life and pension insurance at the start of the year. In addition, the actuarial basis for the calculation of the terms of the annuities (annuity table) was adjusted to increasing life expectancy. The EU Solvency II regulations (roughly similar to Basel III in banking) are further encumbering insurance companies financially. From 2016, they will result in sometimes dramatic cuts in sales commissions.

In the second half of 2015, a new, user-friendly advisory tool was implemented in close cooperation with Hypo Landesbank Vorarlberg's advisors. After intensive training, the Bank successfully brokered numerous pension insurance policies. Hypo Versicherungsmakler's positive overall business performance was strongly influenced by commission revenues from a sales campaign relating to pension provision. In contrast, the low inflation rate led to lower premium growth through indexation in property insurance.

Hypo Versicherungsmakler's earnings developed as follows: Revenues increased from EUR 1.4 million in the previous year to EUR 1.6 million (+16.2 %). Despite additional costs for software development (advisory tool), further additions to provisions and higher temporary personnel costs (change in the management due to retirement), earnings before taxes of EUR 224,000 were generated in 2015 (2014: EUR 268,000).

Many insurance brokers in Vorarlberg are currently looking for a strategic partner or buyer. This development is attributable firstly to the lack of succession solutions, secondly to the reduction of commissions or the switch to ongoing commission payments for personal insurance. Hypo Versicherungsmakler reacted promptly to this development and is already conducting exploratory talks with selected insurance brokers.

In the current 2016 financial year, declines in revenues from brokering pension insurance must be offset by alternative products, e.g. separate disability pension insurance, and a competitive advantage must be created through additional loan collateralisation. The further development of the advisory tool for bank employees and intensive training on new products in the Private Customers segment will be continued in 2016 and are expected to contribute to Hypo Versicherungsmakler's robust development.

After over ten years of successful work, the managing director Manfred Bösch departed for his well-earned retirement on 1 February 2016. His tasks were assumed by Harald Dür, who has over 25 years of experience in the insurance industry.

OUTLOOK FOR 2016

Improved economic environment

With its weak performance, Austrian gross domestic product was under 1.0 % for the fourth year in a row in 2015. The weakness of the global economy curbed foreign trade, and investment activity did not pick up until the year continued. Private consumption also grew only slightly year on year because of high unemployment and the weak development of incomes.

Despite the low underlying momentum of the economy, WIFO expects increased consumption and therefore much stronger economic growth in the years to come. One factor here is the higher spending for the care of approved asylum seekers, which will result in an increase in private and public consumption. The tax reform enacted in 2016 is unburdening the incomes of private households and positively affecting consumer spending. The external economic environment is also expected to pick up momentum again in the years to come. Overall, WIFO anticipates GDP growth of 1.7 % year on year in both 2016 and 2017.

The number of people in employment will continue to rise, but the increase in employment will not be able to keep up with the increase in the supply of labour. Unemployment will therefore continue to grow.

The decline in crude oil prices was a significant brake on inflation in 2015. This effect is expected to gradually die away over the course of 2016. In addition, the measures of the 2016 tax reform will start affecting prices. WIFO anticipates a higher increase in consumer prices compared to the previous year of 1.5 % (2016) and 1.7 % (2017).

Hypo Landesbank Vorarlberg's priorities for 2016

In this environment, the Managing Board will stick to Hypo Landesbank Vorarlberg's proven, broad-based business model and continue to concentrate on customer business. The talks with Dornbirner Sparkasse regarding a merger or partnership of the two banks were terminated by mutual agreement in summer 2015. Hypo Landesbank Vorarlberg is also in a very good position as an independent bank and will continue on its own path, which has already proven successful. In order to further strengthen the Hypo Landesbank Vorarlberg brand, a project was launched with an external consulting agency to sharpen the brand's profile.

In 2016, the banking industry will be faced with another batch of challenges. New regulations require it to build up additional equity and secure a cost-optimal liquidity supply, while costs are rising continuously, e.g. because of the bank tax. This is exacerbated by low interest rates and constant new legal as well as technological challenges for banks and their services.

For example, in connection with the banking package on tax reform on 7 July 2015, the Austrian National Council passed an amendment to banking secrecy (Section 38 BWG) that entails new regulations. Over the course of 2016, a central account register will be established at the Federal Ministry of Finance (BMF), which will log all accounts (savings, giro, building society and securities accounts) of private and corporate customers at Austrian banks retrospectively from 1 March 2015. In addition, a reporting obligation for inflows and outflows of capital and the introduction of a common reporting standard were approved.

Many different factors are putting a great deal of pressure on the profitability of the Austrian banking sector. To ensure the profitability of Hypo Landesbank Vorarlberg in the long term, growth markets outside our home market of Vorarlberg are to be expanded in particular.

As the leading corporate bank in Vorarlberg, the Bank will continue to supply its business customers with financing. However, the Managing Board expects low demand for credit again in 2016. Slight increases are expected in the markets of Vienna, Graz, Wels and St. Gallen (CH) in particular. Because the capital market currently offers attractive financing conditions for companies and public issuers, Hypo Landesbank Vorarlberg is increasingly offering services in this area and supporting its customers in the placement of promissory note loans and bonds. In cooperation with the European Investment Bank (EIB), attractive financing conditions will also be passed onto eligible small and medium-sized enterprises in particular.

Due to the good economic situation of companies in its market areas, Hypo Landesbank Vorarlberg again expects below-average risk costs in 2016. Increased registrations are planned for existing financing. Great use of services related to payment transactions and documentary business is anticipated, and investment business with entrepreneurs is to be expanded.

Hypo Landesbank Vorarlberg is very popular in the Private Customers segment thanks to its excellent credit rating. The Bank is primarily distinguished by consulting-intensive services and offers individual solutions in residential construction financing and for securities transactions including asset management. In investment, there is high demand for innovative yet simple products. The primary objective of Hypo Landesbank Vorarlberg is to conserve its customers' wealth in real terms. The Bank will continue to spread promotional periods, in which customers benefit from attractive conditions, throughout the year. Because the low interest rates are expected to persist for a long time, the Bank anticipates high demand for investments in housing again in 2016, although a slight decline is expected.

A number of banks are now finding themselves compelled to close locations to cut costs. Increasing pressure on earnings due to the low interest rates and the high regulatory burden, but also the increasing digitalisation of banking transactions, are making it increasingly difficult to continue operating small branches. Despite the closure of two locations, Hypo Landesbank Vorarlberg maintains its clear commitment to its bank branches as an important sales channel. The objective is to remain close to customers in the future in order to continue to guarantee face-to-face contact for consulting-intensive services.

As customers appreciate a high degree of flexibility, Hypo Landesbank Vorarlberg has been offering payment transactions and securities transactions (e-brokerage) online for years. Digitalisation and changed customer behaviour necessitate new products, but also new business models. For this reason, Hypo Landesbank Vorarlberg has launched a long-term project in order to satisfy customers' needs step by step and to respond quickly to changes. The aim is to connect existing branches with the digital world in a way that enables customers to benefit from optimum interaction between technology and people. The Managing Board is convinced that there will still be products in the future for which personal consulting is indispensable – e.g. large investments or comprehensive assessments – so face-to-face contact remains a central issue at Hypo Landesbank Vorarlberg.

An enhancement of online banking is planned in 2016. In the next two or three years, the Hypo Landesbank Vorarlberg's online offering is to be considerably expanded, enabling a whole spectrum of new online functions. The online savings platform hypodirekt.at established in 2012 is highly valued by customers outside the Bank's branch catchment area, so it is also undergoing further development.

In private banking and asset management, Hypo Landesbank Vorarlberg has developed an excellent reputation for itself in recent years. On this basis, the Wealth Management segment in Bregenz and Vienna is being expanded further. The product range is being enhanced with new asset management strategies adapted to the currently challenging market conditions.

In accordance with CRR, as of 31 December 2015 Hypo Landesbank Vorarlberg had a total capital ratio of 14.87 % (2014: 13.27 %) and a Common Equity Tier 1 capital ratio of 11.17 % (2014: 9.82 %). In order to secure a good rating and subsequently favourable funding in the future, there remains a special focus on strengthening capital resources.

In the course of 2014, it was decided to increase the stability fee. In 2015, Hypo Landesbank Vorarlberg paid EUR 13.0 million for the bank levy in addition to corporation tax of over EUR 26.4 million. Austrian banks – especially regional banks – can no longer be expected to bear such multiple burdens. They run counter to the goal of strengthening the Austrian banking system by building up capital resources. Therefore, other sectors have now also announced their opposition to these false regulatory signals.

Expected earnings development in 2016

Hypo Landesbank Vorarlberg continues to pursue cautious risk and accounting policies and will make corresponding additions to loan loss provisions. The costs for risk provisioning will increase compared to 2015.

Particular attention has always been paid to a sustainable liquidity policy. Extensive liquidity reserves are held to allow further organic expansion of the lending volume and thus mean that a broad stabilisation of net interest income can be expected. Interest-related business will remain a stable pillar of Hypo Landesbank Vorarlberg's earnings development in 2016, but it is expected to decline year on year.

The Managing Board expects net fee and commission income to decline slightly compared to the previous year. In contrast, operating expenses will rise moderately in 2016 and staff costs are also expected to increase slightly, while a reduction in IT costs is planned. Due to the deposit protection and resolution fund (single resolution fund), costs will be much higher for Hypo Landesbank Vorarlberg.

Performance in the first few months of 2016 was satisfactory. The Managing Board is confident of achieving the anticipated earnings, which will nevertheless by much lower than the previous year's. The known economic and domestic political events require increased vigilance.

COMPLIANCE AND MONEY LAUNDERING

The Compliance department reports directly to the Managing Board, and its main task is to monitor compliance with the legal requirements of the Austrian Securities Supervision Act, the Stock Exchange Act and the Federal Banking Act (BWG) for the prevention of money laundering.

Compliance
All employees are obliged to comply with the provisions of Hypo Landesbank Vorarlberg's compliance guidelines. These guidelines are based on the Standard Compliance Code of the Austrian banking industry, the Securities Supervision Act and the Stock Exchange Act. Compliance with the regulations is ensured by way of regular, documented audits. New employees receive a comprehensive induction as part of the Hypo Basics, which usually take place on the first two days of the first month of employment. All employees are trained on an ongoing basis and informed accordingly in the event of changes.

The Compliance department regularly evaluates compliance with the provisions of the Securities Supervision Act, which implemented the Markets in Financial Instruments Directive (MiFID), and implements any necessary changes together with the specialist departments. These regulations protect investors and serve the efficiency and integrity of the market. Regular, documented checks are carried out here too.

Money laundering
Hypo Landesbank Vorarlberg aims to prevent every form of money laundering and terrorist financing in connection with its business operations. In order to achieve this aim, three computer programs and additional audits are used to check for money laundering. These help employees when classifying customers with regard to the money laundering risk and flag suspicious payments. In addition, they ensure compliance with the legal requirements to carry out embargo checks and checks for politically exposed persons.

All employees complete a comprehensive money laundering test, in which they are familiarised with the legal provisions regarding the prevention of money laundering and terrorist financing and reasons to suspect them. In addition, all new employees receive training in the basic induction. A refresher test must be passed every year.

In further training, employees are taught about specific provisions and types of money laundering so that suspicious transactions can be recognised. Regular checks are also made at the branch offices.

REPORTING ON KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN VIEW OF THE FINANCIAL REPORTING PROCESS

At Hypo Landesbank Vorarlberg, responsibility for establishing and designing the internal control and risk management system lies with the entire Managing Board. Hypo Landesbank Vorarlberg is distinguished by a clear organisational, corporate, control and monitoring function, which includes in particular the dual-control principle, IT-assisted controls, and decision-making powers and monitoring instruments geared towards inherent risk.

In order to further optimise the internal control system, a comprehensive ICS (internal control system) project was carried out from the end of 2009 to January 2013, in connection with which ICS-type documentation for various major core processes was compiled and implemented in order of priority. Since then, additional processes have been incorporated into the documented ICS; in the reporting year, these were the processes of Wealth Management and Debt Capital Markets. Further/new processes are included in the documented ICS in accordance with an assessment of materiality and the level of risk for Hypo Landesbank Vorarlberg.

Control environment
Hypo Landesbank Vorarlberg's Accounting department, which simultaneously functions as the Group Accounting department, includes the bookkeeping, accounting, reporting, controlling and account management areas and reports to the Chairman of the Managing Board.

The close cooperation between Group Accounting, Group Controlling and Group Risk Controlling allows standardised and coordinated internal and external reporting. The reporting processes and control measures are governed by work instructions, internal process descriptions, ICS documents and the Group manual.

Risk assessment and control measures
As part of the ICS, processes are checked for inherent risk and the existence of traceable, effective and efficient risk-mitigation measures and controls, adjusted and if necessary supplemented on an ongoing basis at least once a year. Moreover, a continuous control and effectiveness analysis is performed, and any potential improvement found is implemented.

The financial reporting process is not limited to internal and external reporting, but also uses guidelines and methods to govern the collection of data, creation of entries, recognition of transactions and valuation of business in various software solutions (Arctis, Geos, SAP, B&S, PMS, etc.) in the preliminary stages. These programs offer automatic assistance and checks for correct entry and use. In addition, ongoing manual checks are made in daily business. The regularity, transparency, effectiveness and efficiency of these checks are ensured by ICS monitoring.

Information and communication
Reporting is almost exclusively automated via upstream systems and automatic interfaces and guarantees current data for controlling, profit and loss accounts and other analyses. The accounting information is based on the same data and is coordinated for reporting on a monthly basis. Due to the close cooperation between Accounting, Controlling and Group Risk Controlling, plan/actual analyses are carried out continually. Mutual control and coordination between the departments is guaranteed.

For the monitoring and control function, the decision-makers of Hypo Landesbank Vorarlberg periodically receive a range of reports, e.g. weekly returns, monthly performance previews with interest margin accounts, earnings projections at branch, segment and Bank level, plan/actual analyses of volumes and income, ALM reports, risk reports, treasury reports, quarterly cost accounts, various statistics and analyses.

On the basis of the above, periodic reports are issued to the Supervisory Board, Advisory Board and owners. A quarterly report is drawn up according to IFRS on a quarterly basis. At the end of the year, the Bank's annual financial statements are drawn up according to UGB/BWG, and the Bank's consolidated financial statements and the holding company's consolidated financial statements are drawn up according to IFRS. There are also ongoing supervisory reporting obligations to the OeNB/FMA.

An ICS report is compiled every six months for the Managing Board and every year for the Audit Committee of the Supervisory Board, providing information on the results of the ICS. ICS reporting follows the bottom-up approach: controls are recorded by those responsible for the process when put into operation. These records are pooled together with the results of the control and effectiveness analysis in the ICS report in order to provide information about the effectiveness of the ICS in conjunction with the findings of the audits by Internal Audit.

Monitoring
The quality of the internal control and risk management system is continually assessed by Internal Audit with regard to the reliability, regularity and legality of the accounting process and reporting. Internal Audit cooperates closely with the responsible Managing Board members and managing directors of the subsidiaries and reports periodically to the Audit Committee of the Supervisory Board.

RISK MANAGEMENT

Hypo Landesbank Vorarlberg fully addresses specific banking risks through conservative credit approval policies, strict valuation rules for loans and advances and prudent recognition of specific valuation allowances. The subsidiaries generally use the same rating tools as the parent company. This provides for uniform credit ratings Group-wide. Specific valuation allowances are recognised for credit risks in connection with loans and advances to customers and banks in accordance with uniform Group criteria.

In recent years, Hypo Landesbank Vorarlberg has taken appropriate precautions with regard to its risks relating to HETA. As of 31 December 2015, the valuation allowances on receivables from HETA (including promissory note loan) amounted to EUR 36.0 million. The provisions for the joint guarantee at Pfandbriefbank amounted to EUR 17.8 million at the end of the year. Despite these and further costs (such as the stability fee, allocation to the resolution fund, allocation to the deposit protection fund), the Bank increased its Common Equity Tier 1 capital ratio from 9.82 % to 11.17 % in 2015.

Hypo Landesbank Vorarlberg designates loans in the regulatory asset class of loans in arrears as non-performing loans. These totalled EUR 565,108,000 as at 31 December 2015 (2014: EUR 427,054,000) – including liquidity provided to Pfandbriefbank/HETA of EUR 42.0 million – accounting for 3.47 % (2014: 2.58 %) of the maximum default risk. Rating class 4 (the worst rating class for exposures not in default) changed year on year from EUR 458,694,000 to EUR 456,319,000.

The year under review was characterised by extremely low and even negative interest rates on the money and capital markets. In addition, CHF soared in January 2015 after the SNB lifted the minimum rate of 1.20 francs per euro. Value at risk (99 %/10 days) consequently rose from EUR 9,150,000 in the previous year to EUR 15,892,000.

The main market risks at the Bank are interest rate risk and credit spread risk. Share price and foreign currency risks are of minor significance only. The Bank does not have a large trading book.

The Bank utilises the money market for refinancing only to a limited extent. In 2016, maturities of own bonds amount to approximately EUR 755,000,000. A greater volume will be repayable in 2017, as state-guaranteed bonds amounting to approximately EUR 2.3 billion are to expire. For the maturities in 2017, pre-funding has already been carried out in the last three years or outstanding issues have been prematurely bought back from the market. The maturities can therefore be covered by the existing liquidity reserve or by issuing mortgage bonds. The liquidity strategy pursued by the Bank also accounts for stress scenarios, in which there is no access to the capital market. The necessary liquidity is ensured even in such unfavourable scenarios by secured central bank refinancing or the reduction of assets.

The full disclosure on the organisational structure, risk management and the risk capital situation according to CRR are posted on the internet at www.hypovbg.at.

DISCLOSURE UNDER SECTION 243A OF THE AUSTRIAN BUSINESS CODE (UGB)

Share capital, share denominations and participation capital
The subscribed capital of Hypo Landesbank Vorarlberg consists of share capital of EUR 156.5 million (2014: EUR 156.5 million) that, like the participation capital, is fully paid in. As at 31 December 2015, 305,605 shares and 1,000,000 participation certificates with a nominal value of EUR 9.00 were issued.

Shareholder structure
The equity interests of the shareholders break down as follows:

Shareholders	Interest	Voting rights
Vorarlberger Landesbank-Holding	76.0308 %	76.0308 %
Austria Beteiligungs-gesellschaft mbH	23.9692 %	23.9692 %
Landesbank Baden-Württemberg	15.9795 %	
Landeskreditbank Baden-Württemberg Förderbank	7.9897 %	
Share capital	**100.0000 %**	**100.0000 %**

Appointment of executive bodies
Other than the requirements defined by law, there are no further regulations pertaining to the appointment and removal of Managing Board members and Supervisory Board members or to amending the company's articles of association.

DISCLOSURE OF INFORMATION ON REMUNERATION POLICY AND PRACTICES IN 2015

In 2011, the remuneration policy of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft was structured and redefined by the Managing Board for the first time in accordance with the statutory requirements, presented to the Supervisory Board on 15 December 2011 and approved by the Supervisory Board.

The principles of the remuneration policy were adopted with regard to robust and effective risk management in concordance with the business strategy. They are decided upon annually in the Remuneration and Nominating Committee. In 2015, the Remuneration and Nominating Committee met four times. The updates principles – adjusted to the 2015 financial year – were present and approved again on 23 April 2015.

In addition to the Supervisory Board – specifically the Remuneration and Nominating Committee led by Alfred Geismayr – the Internal Audit department also acts as a controlling body for the Bank's remuneration policy. On behalf of the Supervisory Board, this department is charged with auditing the implementation of the current principles of the remuneration policy.

In addition to all basic banking services, Hypo Landesbank Vorarlberg's core business areas are corporate customer business, real estate financing and investment business.

Hypo Landesbank Vorarlberg's main business is restricted to Austria and bordering areas. Due to our predominant business model, the strict multi-level authorisation guidelines and the guidelines compiled in the risk management handbook, the individual employees have little to no influence over high-risk business activities. Risks can only ever be taken in compliance with the dual-control principle.

Employees are generally remunerated in line with the market with collectively agreed fixed salaries and any overpayment. In addition, managers and highly qualified employees can enjoy a variable salary component. The variable remuneration is only paid out via the salary.

For the payment of the variable component, certain criteria aligned to long-term success, which are defined in writing on an individual basis in the employment contract, must be met.

Significant criteria for the measurement of success in current employment contracts with variable salary components are:

- Earnings from ordinary activities according to five-year planning
- Earnings from ordinary activities
- Attainment of targets in the employee's own area according to the annual target-setting meeting
- Individual targets, personal performance assessment
- Social performance criteria, management work, acquisition performance, etc.

Important personnel tools regarding performance assessment here include the annual IT-supported employee and target-setting meeting. This is strictly regulated in a specially defined works agreement.

In previous employment contracts, the following bonus scheme was in effect for most manages in the Corporate Customers, Private Customers and Risk Management segments:

- 25 % earnings from ordinary activities
- 25 % management work of the respective employee
- 50 % attainment of targets in the employee's own area according to the annual target-setting meeting

The employees' variable remuneration components are capped and do not exceed a certain threshold of materiality in relation to total remuneration. Due to the prevailing proportionality principle according to Section 39b BWG, it is not necessary to restrict the payment or recognise a multi-year provision.

Since 2013, bonus agreements have been revocable, and the employer has been granted the right to make adjustments if required or in the event of changes in legislation. In the event of a deteriorated or negative financial or earnings situation (in line with no. 12 lit. A of the annex to Section 39b BWG), the payment can be cancelled entirely even if individual criteria are met.

To recognise the commitment and loyalty of the employees, the Managing Board has decided to pay all employees of Hypo Landesbank Vorarlberg a one-off bonus of up to EUR 1,000.00 in 2016 for the 2015 financial year, under the same conditions as in 2015.

Remuneration policy for Managing Board members
The Chairman of the Managing Board Michael Grahammer and the members of the Board, Johannes Hefel and Michel Haller, receive a fixed annual salary, which is paid in fourteen parts on the usual salary payment dates.

There are no additional bonus agreements beyond the remuneration payments agreed in the Managing Board contracts.

A BIG RESPONSIBILITY

**HYPO LANDESBANK VORARLBERG
SUSTAINABILITY REPORT**

There is one thing we must not forget: everything has consequences. We need to identify them, weigh them up and keep an eye on them in day-to-day business and beyond. After all, the future of our country is something close to all our hearts. In order to shape this future positively, we all have to do our part. Without ifs and buts.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Appropriate measures are required to do justice to all dimensions of sustainability – economic, ecological and social. Hypo Landesbank Vorarlberg, too, is faced with the challenge of balancing economic success, ecological responsibility and social aspects. It is therefore very important to the Managing Board that the concept of sustainability is deeply rooted in the corporate culture, so that it can be practised by every employee. Specifically, this means doing business responsibly, ensuring the highest quality of products and services and focusing consistently on customer requirements, but also handling employees and resources carefully and making a commitment to society. These values are instilled in the corporate culture of Hypo Landesbank Vorarlberg.

ECONOMIC SUSTAINABILITY

In the banking sector in particular, it has become apparent that reliability, stability and solidity are among the most important principles for sustainable corporate governance. Hypo Landesbank Vorarlberg is particularly diligent with these values in order to earn the trust of customers, employees, business partners and other social groups.

For the Managing Board, the level of financial success and the manner in which the business is run are equally important. Hypo Landesbank Vorarlberg attributes its success to a sustainable, grounded and conservative business model. The top priority is long-term and organic growth to secure the Bank's continuing profitability instead of short-term profits. In order to guarantee these objectives, the corporate strategy and policy, target planning and the remuneration system are harmonised. Sustainability is also paramount in customer business: instead of speculation and profit maximisation, the greatest attention is paid to security and conserving the value of customer funds.

Customers increasingly want their money to be used fairly and responsibly. As a regional bank, Hypo Landesbank Vorarlberg is a strong, reliable partner for the population and the economy in its core markets. Savings deposits from the region are mostly dealt out in turn to customers and businesses in the region in the form of loans.

In order to remain sustainable despite the various challenges, Hypo Landesbank Vorarlberg has developed Strategy 2018. In line with economic, ecological and social objectives, the idea is to respond actively to new conditions and thus to sustain the Bank's success.

By placing a subordinated bond and allocating the 2015 profit to the reserves, Hypo Landesbank Vorarlberg strengthened its capital base in 2015 with the aim of maintaining an excellent rating and good refinancing situation in the future. The core capital ratio is an important key figure for assessing the stability and strength of a bank. With a Common Equity Tier 1 capital ratio of 11.17 % as of 31 December 2015, Hypo Landesbank Vorarlberg is well in excess of statutory requirements and therefore a safe, reliable banking partner even in challenging times.

ECOLOGICAL SUSTAINABILITY

Sustainable business activity is the foundation for ensuring the company's success in the long term. In addition, the issue of environmental protection and ecological sustainability is playing an ever greater role – for future generations, but also for customers and employees of Hypo Landesbank Vorarlberg. The Managing Board therefore wishes to take responsibility for the local and global environment beyond merely the degree necessary for the business.

Hypo Landesbank Vorarlberg has sponsored the VN Klimaschutzpreis for many years. This prize recognises innovative climate protection projects from the population of Vorarlberg. Hypo Landesbank Vorarlberg itself also takes various measures to reduce the environmental impact of banking operations. The optimisation of buildings' energy consumption plays an important role here. Special attention is paid to energy and resource efficiency when building or renovating sites. For example, only LED lighting was used in the construction of the new branch in Vienna, which was completed in the autumn. Measures like this are environmentally friendly and reduce costs in the long term.

In ongoing banking operations, CO_2 emissions largely result from the use of energy, paper and water, business trips and the generation of waste. Employees' awareness with regard to daily processes (paper use, rubbish separation) was raised early on. Further potential improvements are sought on an ongoing basis.

The Bank also tries to live up to its ecological responsibility in terms of products. The "Hypo-Klima-Kredit" supports energy-saving investments in housing construction. With regard to financing for sustainable or renewable energy, Hypo Landesbank Vorarlberg covers wind power, photovoltaics, biomass and hydropower in its market area. The volume of financing for these projects currently totals over EUR 290 million. At the same time, investors at Hypo Landesbank Vorarlberg have the option to invest in sustainable products.

Klimaneutralitätsbündnis 2025

The Klimaneutralitätsbündnis 2025 is an initiative of regional companies in which the participating businesses wish to achieve climate neutrality by 2025. This project was first presented to the public at the start of 2015. Hypo Landesbank Vorarlberg is a founding member of this alliance together with other large companies in the region. All participants have voluntarily committed themselves to reducing CO_2 emissions.

By using resources sparingly and implementing efficiency measures, the Bank is continually reducing its energy consumption and therefore its carbon footprint. Unavoidable CO_2 emissions are offset by purchasing climate-protection certificates of the highest standard. The global projects thus supported, including reforestation, electricity from biomass and wind power, are selected by renowned climate-protection experts. In order to meet the alliance's requirements, the Bank will, for example, make new investments as climate neutral as possible.

With deliberate mobility management, Hypo Landesbank Vorarlberg raises its employees' awareness at relatively little expense and helps them to leave their car at home and travel to work every day with public transport. As an incentive, a travel allowance is paid for the route from and to the workplace. As car journeys cannot always be avoided, employees at the Bregenz headquarters have two environmentally friendly hybrid cars and one electric car, which is particularly suited to shorter journeys, at their disposal.

SOCIAL SUSTAINABILITY

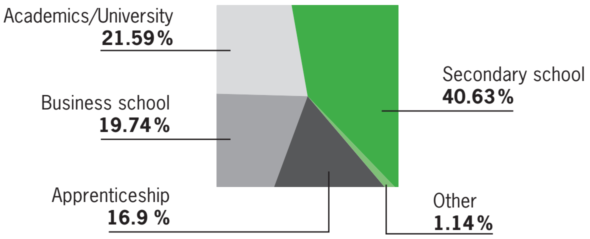
The Group is an employer of around 850 people. Issues such as equal opportunities in recruitment, remuneration and internal development opportunities play a major role here. Employees are the most valuable foundation for every company, so Hypo Landesbank Vorarlberg's long-term economic success is thanks to the skill, dedication and motivation of its employees. So it is all the more important that every individual shares the corporate philosophy and practises these values.

Education and training

Hypo Landesbank Vorarlberg is an advisory bank and stands out because of its high-quality advice for customers. In the interests of the sustainable development of human resources, great importance is attached to the thorough training of new recruits and later the further development of the employees' professional and social skills. By helping employees to realise their individual potential, Hypo Landesbank Vorarlberg can remain an attractive employer in the long term.

Where possible, vacant management positions are filled by talented employees from within the Bank. Young managers are given particular support with regard to the new requirements of their responsible and challenging positions.

Training profile 2015



In 2015, Hypo Landesbank Vorarlberg invested a total of EUR 710,845 (2014: EUR 669,267) in education and training, equating to EUR 975 per employee (2014: EUR 926). On average, each employee had 3.2 days of training. 62 employees took the bank exams (Hypo training level 1 and 2); eleven successfully completed the specialist track and specialist training. In addition, Hypo Landesbank Vorarlberg offers specialist and personal development seminars. In 2015, a total of 273 different education activities were used.

Expenditure on education and training

	2015	Change in %	2014	2013
Expenditure for education and training in EUR *	**710,845**	6.2	669,267	615,625
Expenditure per employee in EUR	**975**	5.3	926	850
Training days per year	**2,333**	1.8	2,292	2,970
Average training days per employee per year	**3.2**	1.0	3.2	4.0

*Calculated differently since 2015, so the previous year's figures were adjusted. The spending includes participation fees for external events and speakers' fees (including travel and subsistence expenses).

Future executives
Every year, Hypo Landesbank Vorarlberg offers young people the opportunity to start a banking career via an apprenticeship or the in-house trainee programme. Both training courses are tried-and-tested components in the development of junior employees and have become indispensable for the company. For this very reason, apprenticeship and trainee programme graduates are gladly employed in various areas of the Bank.

Hypo Landesbank Vorarlberg started offering the banking apprenticeship in 2001. Since then 43 your people have taken this path in Vorarlberg, and four other apprentices were trained at the St. Gallen branch. And Hypo Landesbank Vorarlberg's apprentices are successful: 17 of them passed their final exams with a grade of "good", seven even with an "outstanding" grade. Other apprentices have been and are being trained in the Group – six of whom in informatics and three in real estate.

The trainee programme starts every year at the beginning of September – and has done so since 1999. It is well known in the region and also in some areas beyond. The Bank thus appeals to young people with high school or university qualifications who want to receive in-depth training in a relatively short time. The trainees are also sought-after junior employees within the company.

Hypo Landesbank Vorarlberg is open to young people. The annual Hypo Careers Forum gives potential employees a look inside the Bank. It also allows informal and face-to-face communication with employees and trainees. All through the year, the Bank supports high school and university students in various ways, be it with expert contributions for the classroom or excursions, career guidance, internships in various areas or dissertation supervision.

Hypo Landesbank Vorarlberg also presents itself as an attractive employer with skilled and friendly employees by collaborating in the learning pathway FiRi (Financial and Risk Management at Commercial Colleges). It is also present at various careers and education fairs, where it succeeds in obtaining talented new employees. As in previous years, the Bank attended several apprenticeship fairs in Vorarlberg, the job fair at Vorarlberg University of Applied Sciences and Career & Competence in Innsbruck.

Employee and executive feedback
Open interchange between employees and managers is firmly rooted in the corporate culture. Employee and target-setting meetings take place every year, offering the opportunity to look back at the achievements of the past year and to set new targets. Employees also have the opportunity to assess the decision-making, organisational and motivational skills of their managers, among other things. Manager feedback is carried out at regular intervals with the aim that managers reflect on their managerial conduct.

Knowledge management
Organised knowledge management makes a significant contribution to the long-term development of a company. Hypo Landesbank Vorarlberg also sets great store by employees sharing their know-how within the company. An in-house knowledge platform, Hypopedia, was created for this purpose in 2011. It brings all information streams together in channels and embeds them in a logical structure. An index and a special search engine assist the search for work instructions and information, while an update service on the homepage gives employees a quick overview of any changes in the internal knowledge landscape.

The online education service offered by Hypo-Bildung GmbH in Vienna, which includes web-based training, tests and an extensive "banking lexicon", is also used.

Company benefits
Hypo Landesbank Vorarlberg has concluded works agreements and allows its employees to manage their working hours flexibly by way of flexitime. Employees receive a travel allowance for the use of public transport on the journey between the home and the workplace. From the seventh month of employment, there is also a food allowance and the opportunity to participate in a pension fund.

Company health promotion
Since 2007, company health promotion has been a permanent feature at Hypo Landesbank Vorarlberg. The key theme changes every year, supported by lectures, workshops and activities provided by experts. The focus is on raising employees' awareness of various health-related issues and maintaining productivity. In 2015, the motto was "Healthy through the Bank – tips & tricks for an active life". The introductory lecture placed the emphasis on general fitness. The subsequent health days – divided into occupational medicine and sport science parts – also caught the employees' interest.

Hypo Landesbank Vorarlberg's efforts to promote health were honoured with the "Salvus" silver quality seal for the second time in 2015. This is valid for two years and is awarded to businesses that actively support their employees' health.

Family-friendly corporate culture
For many employees, the compatibility of family and career is an important element in their quality of life and work. In turn, Hypo Landesbank Vorarlberg benefits from a family-conscious corporate culture. Well-qualified and often long-standing employees can thus be kept in the company.

The family-friendly measures currently in use include job-sharing models, flexitime, equal treatment of all employees with regard to education and training, and extensive support when starting parental leave and returning to work. The certification as "Excellent Family-Friendly Business 2014-2015" by the state of Vorarlberg confirms that family friendliness is an important issue for the Bank.

Key employee figures of the Hypo Landesbank Vorarlberg Group

	2015	Change in %	2014	2013
Average number of employees (weighted)	**729**	0.8	723	724
of which apprentices	**7**	–12.5	8	9
of which parttime	**80**	6.7	75	69
Employees at year-end (head-count) *	**838**	–1.4	850	816
of which women	**478**	–3.2	494	470
of which men	**360**	1.1	356	346
Proportion of women (incl. apprentices) in %	**67.9 %**	–2	69.7	66.3
Proportion of men (incl. apprentices) in %	**51.1 %**	1.8	50.2	48.8
Average period of employment in years	**10.5**	7.1	9.8	9.8
Average age in years	**39.2**	2.1	38.4	37.8

* Calculated differently since 2014 – previous year's figures adjusted to improve comparison

Sponsoring and regional commitments
As a company with strong roots in the region, Hypo Landesbank Vorarlberg deals with social and community issues. In order to give customers and the region's population a share in the financial success, Hypo Landesbank Vorarlberg has for many years been involved in cultural and sport sponsorship for local institutions. The Bank ensures that all commitments remain in the region and generally aims for long-term cooperation.

Endowment fund "Hypo für Vorarlberg"
An endowment fund under the name "HYPO für Vorarlberg – Helfen. Unterstützen. Bewegen." was launched in mid-2014 to support charitable projects in the fields of society, science, education and culture. This initiative is intended to show that business success and social engagement are not mutually exclusive, but instead go hand in hand. At the same time, this is also demonstrated to employees and customers that they are taking social responsibility by working for or with Hypo Landesbank Vorarlberg.

Every year, a portion of the generated profit (0.65 % of the after-tax annual earnings before allocations to reserves) is donated to the endowment fund. The donation for 2015 amounted to EUR 509,000.00. In 2014, EUR 214,000.00 was allocated to the endowment fund, of which around EUR 160,000.00 was paid out. This helped people with personal misfortunes out of the worst financial distress and supported various social institutions and regional cultural projects. A board of representatives from various social institutions and companies manages the appeal fund on a voluntary basis and decides autonomously how the funds are to be awarded within the guiding framework. Applications for support can be submitted at http://spenden.hypovbg.at.

RESEARCH AND DEVELOPMENT

Hypo Landesbank Vorarlberg reviews the effects of economic and market developments on its income, capital and net assets on an ongoing basis. To survive among the competition, it is not enough just to know the current market conditions; it is also necessary to consider future scenarios. For several years, there has been a close partnership with Vorarlberg University of Applied Sciences for the purposes of research. The cooperation covers issues such as the optimisation of the covered pool, the optimum allocation of collateral, the calculation of stress scenarios and restructuring options for BaSAG.

Before the detailed development of a new product or the inclusion of a third-party product in our product range, a product and business introduction process is defined in order to guarantee a coordinated approach and identify potential risks in advance.

A SHARED JOURNEY

HYPO LANDESBANK VORARLBERG
THE INVESTMENT BANK

For us, asset management means one thing: solidarity. We therefore gear all the necessary steps for successful asset management individually to our customers on the basis of long-term planning and with a clear focus on security and efficiency.

Peter Haltmeier & Luca Maccani,
Winsau

ALL IN ALL

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS DATED 31 DECEMBER 2015

I. STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2015

Income statement

in '000 EUR	(Notes)	2015	2014	Change in '000 EUR	Change in %
Interest and similar income		281,191	293,906	–12,715	–4.3
Interest and similar expenses		–97,730	–116,492	18,762	–16.1
Net interest income	(5)	**183,461**	**177,414**	**6,047**	**3.4**
Loan loss provisions	(6)	–22,815	–81,695	58,880	–72.1
Net interest income after loan loss provisions		**160,646**	**95,719**	**64,927**	**67.8**
Fee and commission income		40,374	39,827	547	1.4
Fee and commission expenses		–3,808	–4,203	395	–9.4
Net fee and commission income	(7)	**36,566**	**35,624**	**942**	**2.6**
Net result on hedge accounting	(8)	869	646	223	34.5
Net trading result	(9)	1,020	30,644	–29,624	–96.7
Net result from other financial instruments	(10)	15,571	1,061	14,510	> 100.0
Administrative expenses	(11)	–92,462	–92,101	–361	0.4
Other income	(12)	17,509	16,604	905	5.5
Other expenses	(13)	–37,981	–33,591	–4,390	13.1
Result from equity consolidation		1,172	–328	1,500	-
Operating result before change in own credit risk		**102,910**	**54,278**	**48,632**	**89.6**
Result from change in own credit risk		18,236	–299	18,535	-
Earnings before taxes		**121,146**	**53,979**	**67,167**	**> 100.0**
Taxes on income	(14)	–28,162	–12,726	–15,436	> 100.0
Consolidated net income		**92,984**	**41,253**	**51,731**	**> 100.0**
Of which attributable to:					
Parent company shareholders		92,971	41,234	51,737	> 100.0
Non-controlling interests		13	19	–6	–31.6

Statement of comprehensive income

in '000 EUR	2015	2014	Change in '000 EUR	Change in %
Consolidated net income	**92,984**	**41,253**	**51,731**	**> 100.0**
Items which can be reclassified to consolidated net income				
Changes to foreign currency translation reserve	–135	50	–185	-
Changes to AFS revaluation reserve	–6,531	3,396	–9,927	-
of which changes in measurement	–664	4,551	–5,215	-
of which changes in holdings	–8,044	–23	–8,021	> 100.0
of which income tax effects	2,177	–1,132	3,309	-
Total items which can be reclassified to consolidated net income	**–6,666**	**3,446**	**–10,112**	**-**
Items which cannot be reclassified to consolidated net income				
Changes to IAS 19 revaluation reserve	66	–722	788	-
of which changes in measurement	154	–947	1,101	-
of which income tax effects	–88	225	–313	-
Total items which cannot be reclassified to consolidated net income	**66**	**–722**	**788**	-
Other income after taxes	**–6,600**	**2,724**	**–9,324**	**-**
Total comprehensive income	**86,384**	**43,977**	**42,407**	**96.4**
Of which attributable to:				
Parent company shareholders	86,371	43,957	42,414	96.5
Non-controlling interests	13	20	–7	–35.0

II. BALANCE SHEET DATED 31 DECEMBER 2015

Assets

in '000 EUR	(Notes)	31.12.2015	31.12.2014	Change	
				in '000 EUR	in %
Cash and balances with central banks	(15)	712,491	470,699	241,792	51.4
Loans and advances to banks	(16)	650,129	883,340	–233,211	–26.4
Loans and advances to customers	(17)	9,061,358	8,954,412	106,946	1.2
Positive market values of hedges	(18)	76,370	76,116	254	0.3
Trading assets and derivatives	(19)	461,641	595,660	–134,019	–22.5
Financial assets – at fair value	(20)	938,014	1,123,392	–185,378	–16.5
Financial assets – available for sale	(21)	745,426	721,149	24,277	3.4
Financial assets – held to maturity	(22)	987,685	1,114,333	–126,648	–11.4
Shares in companies valued at equity	(23)	34,554	34,593	–39	–0.1
Investment property	(24)	43,518	60,326	–16,808	–27.9
Intangible assets	(25)	836	1,286	–450	–35.0
Property, plant and equipment	(26)	76,155	74,053	2,102	2.8
Tax assets		3,586	3,590	–4	–0.1
Deferred tax assets	(27)	10,348	8,688	1,660	19.1
Non-current assets available for sale	(28)	12,223	0	12,223	100.0
Other assets	(29)	88,077	63,855	24,222	37.9
Total Assets		**13,902,411**	**14,185,492**	**–283,081**	**–2.0**

Liabilities and shareholders' equity

in '000 EUR	(Notes)	31.12.2015	31.12.2014	Change	
				in '000 EUR	in %
Amounts owed to banks	(31)	1,144,487	1,026,928	117,559	11.4
Amounts owed to customers	(32)	4,995,818	4,662,797	333,021	7.1
Liabilities evidenced by certificates	(33)	2,402,602	2,313,778	88,824	3.8
Negative market values of hedges	(34)	160,947	162,475	–1,528	–0.9
Trading liabilities and derivatives	(35)	239,627	261,761	–22,134	–8.5
Financial liabilities – at fair value	(36)	3,464,357	4,403,186	–938,829	–21.3
Provisions	(37)	61,289	74,181	–12,892	–17.4
Tax liabilities	(38)	14,359	2,213	12,146	> 100.0
Deferred tax liabilities	(39)	8,143	7,927	216	2.7
Other liabilities	(40)	64,739	55,975	8,764	15.7
Supplementary capital	(41)	376,902	327,415	49,487	15.1
Shareholders' equity	(42)	969,141	886,856	82,285	9.3
Of which attributable to:					
Parent company shareholders		969,093	886,797	82,296	9.3
Non-controlling interests		48	59	–11	–18.6
Total Liabilities and shareholder's equity		**13,902,411**	**14,185,492**	**–283,081**	**–2.0**

III. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in '000 EUR	Subscribed capital	Capital reserve	Retained earnings and other reserves	Revaluation reserve (available for sale)	Reserves from currency translation	Total parent company shareholders	Noncontrolling interests	Total shareholders' equity
Balance 1 January 2014	**165,453**	**48,874**	**621,606**	**11,107**	**–4**	**847,036**	**63**	**847,099**
Consolidated net income	0	0	41,234	0	0	41,234	19	41,253
Other income	0	0	51	2,674	–2	2,723	1	2,724
Comprehensive income 2014	**0**	**0**	**41,285**	**2,674**	**–2**	**43,957**	**20**	**43,977**
Reclassifications	0	0	154	–154	0	0	0	0
Other changes	0	0	–1	0	0	–1	0	–1
Dividends	0	0	–4,045	0	0	–4,045	0	–4,045
Distributions to third parties	0	0	–150	0	0	–150	–24	–174
Balance 31 December 2014	**165,453**	**48,874**	**658,849**	**13,627**	**–6**	**886,797**	**59**	**886,856**

in '000 EUR	Subscribed capital	Capital reserve	Retained earnings and other reserves	Revaluation reserve (available for sale)	Reserves from currency translation	Total parent company shareholders	Noncontrolling interests	Total shareholders' equity
Balance 1 January 2015	**165,453**	**48,874**	**658,849**	**13,627**	**–6**	**886,797**	**59**	**886,856**
Consolidated net income	0	0	92,971	0	0	92,971	13	92,984
Other income	0	0	–138	–6,467	5	–6,600	0	–6,600
Comprehensive income 2015	**0**	**0**	**92,833**	**–6,467**	**5**	**86,371**	**13**	**86,384**
Dividends	0	0	–3,975	0	0	–3,975	0	–3,975
Distributions to third parties	0	0	–100	0	0	–100	–24	–124
Balance 31 December 2015	**165,453**	**48,874**	**747,607**	**7,160**	**–1**	**969,093**	**48**	**969,141**

Further details on equity and the composition of capital components – in particular the revaluation reserves – are given in Note (42).

IV. CASH FLOW STATEMENT

Cashflows from operating activities

in '000 EUR	2015	2014
Consolidated net income	92,984	41,253
Non-cash items included in consolidated net income and reconciliation with cash flow from operating activities		
Impairments/reversals on financial instruments and property, plant and equipment	55,233	–40,597
Allocations/reversals to/from reserves and loan loss provisions	–13,924	42,829
Change in other non-cash items	12,352	80,923
Reclassification of income from the sale of financial instruments and property, plant and equipment	84	–1,083
Other adjustments for interest and income taxes	–168,648	–161,908
Change in assets and liabilities from operating activities after adjustment for non-cash items		
Loans and advances to banks	262,393	251,340
Loans and advances to customers	60,602	–446,068
Trading assets and derivatives	11	264
Other assets	–22,666	–9,361
Amounts owed to banks	114,291	336,414
Amounts owed to customers	278,068	–190,993
Liabilities evidenced by certificates	76,301	355,795
Financial liabilities – at fair value	–958,342	–781,551
Other liabilities	22,853	12,929
Interest received	230,415	219,240
Interest paid	–100,885	–109,892
Income tax paid	–16,938	–15,917
Cash flows from operating activities	**–75,816**	**–416,383**

Cashflows from investing activities

in '000 EUR	2015	2014
Cash inflow from the sale/ repayment of		
Financial instruments	493,069	645,659
Property, plant and equipment and intangible assets	2,519	1,846
Cash outflows for investments in		
Financial instruments	–279,614	–404,636
Property, plant and equipment and intangible assets	–5,897	–13,071
Interest received	59,255	70,794
Dividends and profit distributions received	2,472	3,833
Cash flows from investing activities	**271,804**	**304,425**

Cashflows from financing activities

in '000 EUR	2015	2014
Cash changes in supplementary capital	50,030	–1,043
Dividends	–4,099	–3,871
Interest paid	–5,671	–6,150
Cash flows from financing activities	**40,260**	**–11,064**

Reconciliation to cash and balances with central banks

in '000 EUR	2015	2014
Cash and balances with central banks at end of previous period	**470,699**	**593,422**
Cash flows from operating activities	–75,816	–416,383
Cash flows from investing activities	271,804	304,425
Cash flows from financing activities	40,260	–11,064
Effects of changes in exchange rate	5,544	299
Cash and balances with central banks at end of period	**712,491**	**470,699**

Further disclosures on the cash flow statement are shown under Note (45).

V. NOTES

A. ACCOUNTING POLICIES

(1) GENERAL INFORMATION

Vorarlberger Landes- and Hypothekenbank Aktiengesellschaft and its subsidiaries offer customers a broad spectrum of financial services. The core businesses are the Corporate and Private Customer segments and Private Banking. A range of leasing, insurance and real estate services are additionally offered. The Group's core market is the state of Vorarlberg, as well as Eastern Switzerland, Southern Germany and South Tyrol. In Eastern Austria the Bank has offices in Vienna, Graz and Wels.

The Bank is a stock corporation with its registered office in Bregenz, Austria, and is registered in Feldkirch, Austria, in the commercial register (FN145586y). The Bank is the ultimate parent company of the companies included in the consolidated financial statements. The shareholders of the Bank are presented under Note (52). The Bank's address is Hypo-Passage 1, 6900 Bregenz.

The consolidated financial statements for the 2015 financial year and the comparative figures for 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) that are in force and published by the International Accounting Standards Board (IASB) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC, formerly SIC, Standing Interpretations Committee) – as applicable in the European Union – and therefore fulfil the requirements of Section 59a of the Austria Banking Act and Section 245a of the Austrian Commercial Code.

On 31 March 2016, the Managing Board of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft authorised release of these annual financial statements. All amounts are stated in thousand Euro (EUR '000) unless specified otherwise. The tables below may contain rounding differences.

(2) PRINCIPLES AND SCOPE OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft and its subsidiaries as of 31 December 2015. Subsidiaries are fully consolidated from the acquisition date, i.e. from the date on which the Group obtains control. Consolidation ends as soon as the parent company ceases to control the subsidiary. The financial statements of the subsidiaries are prepared using the same accounting policies and reporting period as the financial statements of the parent company. On consolidation, intragroup expenses, income, receivables and liabilities are eliminated. Currency-related differences from debt consolidation and the elimination of income and expenses are recognised through profit and loss in the net trading result. The results of intragroup transactions are eliminated unless they are immaterial. The deferred taxes required by IAS 12 are recognised on temporary differences from consolidation. The amount of non-controlling interest is determined according to the interests of minority shareholders in the equity of the subsidiaries.

Business combinations are accounted for using the acquisition method. The costs of a business acquisition are measured at the sum of the consideration transferred measured at fair value as of the acquisition date and the non-controlling interest in the acquiree. For each business combination, the Group decides whether to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Costs incurred in connection with the business combination are recognised as an expense under administrative expenses.

When the Group acquires an entity, it assesses the appropriate classification and designation of the financial assets and liabilities assumed according to the terms of the contract, economic circumstances and the prevailing conditions on the acquisition date. This also includes separating the derivatives embedded in host contracts.

In addition to the parent company, our consolidated financial statements include 33 subsidiaries (2014: 33), in which Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft directly or indirectly holds more than 50 % of the voting rights or other-wise exerts a controlling influence. Of these entities, 26 are headquartered in Austria (2014: 26) and seven in other countries (2014: 7).

The Group's shares in an associate are accounted for using the equity method. Associates are entities that are not controlled by Vorarlberger Landes- und Hypothekenbank, but in which a stake of at least 20 % and not more than 50 % is held, resulting in significant influence. According to the equity method, shares in an associate are recognised in the balance sheet at cost plus changes in the Group's share in the net assets of the associate arising after the acquisition. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor subjected to a separate impairment test.

The income statement includes the Group's share in the associate's net profit or loss for the period. Changes recognised directly in the associate's equity are reported by the Group in the amount of its share and if necessary in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated in line with the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss for its shares in an associate. At each reporting date, the Group determines whether there are objective indications that the share in an associate may be impaired. If this is the case, the difference between the recoverable amount of the share in the associate and the carrying amount of the share in the associate's profit or loss is recognised through profit or loss as an impairment loss.

On the loss of significant influence, the Group measures any investment it retains in the former associate at fair value. Differences between the carrying amount of the share in the associate when significant influence is lost, the fair value of any retained interest and the disposal proceeds are recognised in the income statement.

10 (2014: 10) material Austrian associates are accounted for using the equity method. HYPO EQUITY Unternehmensbeteiligungen AG is an SME financing company that invests in start-ups and companies with a strategy and potential for growth. Private equity entails higher valuation risk than other assets. One of HYPO EQUITY Unternehmensbeteiligungen AG's investments is in a research and development company whose value is significantly influenced by the results of its research.

The aggregated total assets of associated investments not measured at equity amounted to EUR 41,542,000 in the past financial year (2014: EUR 41,976,000). The aggregated equity of these investments amounted to EUR 14,080,000 (2014: EUR 14,012,000), and after-tax earnings totalled EUR 68,000 (2014: EUR 300,000). If these investments were included in our consolidated financial statements using the equity method and based on balance sheet data as of 31 December 2015, the measurement effect on the items "Shares in companies valued at equity" and "Equity" would be EUR 2,302,000 (2014: EUR 2,272,000). Likewise, inclusion in the income statement would have an effect of EUR 30,000 (2014: EUR 87,000) in “Result from equity consolidation”. The three companies are not included in the consolidated financial statements due to reasons of immateriality and because data and information relevant to the financial statements were not available in due time.

The Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft Group is included in the scope of consolidation of Vorarlberger Landesbank-Holding, based in Bregenz. These consolidated financial statements are included in the Vorarlberger Landesbank-Holding Group. The consolidated financial statements of Vorarlberger Landesbank-Holding are published in the official gazette for the state of Vorarlberg. Vorarlberger Landesbank-Holding is wholly owned by the state of Vorarlberg.

The reporting date of the Bank’s consolidated financial statements is the same as the reporting date of all fully consolidated companies in the consolidated financial statements. The associate HYPO EQUITY Unternehmensbeteiligungen AG has a different reporting date of 30 September 2015.

(3) ACCOUNTING POLICIES

The significant accounting policies applied for the preparation of these consolidated financial statements are outlined below. Unless stated otherwise, the consolidated companies applied the policies described uniformly by and consistently to the reporting periods presented. Items were recognised and measured on a going concern basis. The consolidated financial statements were prepared according to the principle of historical cost, with the exception of financial assets available for sale, financial assets and liabilities designated at fair value, trading assets, trading liabilities and derivatives. These assets and liabilities were recognised at fair value. Financial instruments in an effective hedging relationship (fair value hedge) and measured at amortised cost were adjusted for effective hedge changes. Income and expenses are recognised pro rata temporis in the period to which they relate.

The consolidated financial statements comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholders’ equity, the cash flow statement and the Notes. Segment reporting is included in the Notes in section E.

a) Currency translation

Assets and liabilities are measured in the currencies of the companies included in the consolidated financial statements that match their economic environments (functional currency).

These consolidated financial statements are published in euros, which is both the functional and the reporting currency of the Group. Monetary assets and liabilities not denominated in euros are translated into euros at the closing rate on the reporting date.

Gains and losses from the settlement of transactions in foreign currencies are recognised in the income statement under net trading result. In the event of changes in the market value of financial instruments in foreign currencies allocated to the category AFS, the translation differences are recognised through profit or loss in the income statement under net trading result.

The translation differences from monetary assets allocated to the category AFV are recognised through profit or loss in the income statement as gains or losses from changes in fair value under net trading result.

If a company in the Group uses a functional currency that differs from the reporting currency, the assets and liabilities are translated at the mean rate of exchange on the reporting date and the income statement at the average rate for the year. Equity is translated at historical exchange rates. Resulting translation gains and losses on capital consolidation are recognised in other comprehensive income and reported separately within shareholders’ equity.

ECB exchange rates on the reporting date (amount in the currency for 1 euro):

FX-Rates	31.12.2015	31.12.2014
CHF	1.0835	1.2024
JPY	131.0700	145.2300
USD	1.0887	1.2141
PLN	4.2639	4.2732
CZK	27.0230	27.7350
GBP	0.7340	0.7789

b) Cash
The item “Cash and balances with central banks” on the balance sheet comprises cash in hand and balances payable on demand with central banks. For the purposes of the cash flow statement, cash and cash equivalents comprise the cash defined above. Cash and balances with central banks were measured at nominal value.

c) Financial Instruments
Financial instruments are accounted for on the basis of the principles of categorisation and measurement stipulated by IAS 39. An asset is recognised on the balance sheet when it is probable that the future economic benefits will flow to the entity. A liability is recognised on the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

Initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. According to IAS 39, derivatives are also financial instruments. Financial instruments are recognised for the first time when the Group becomes a party to the contract for the financial instrument. Regular way purchases or sales of a financial asset are recognised at the settlement date, i.e. the date on which the asset is delivered. The financial instruments are allocated to the categories described below at the date of their addition. The classification depends on the purpose and the Management Board’s intentions, why the financial instrument was acquired and its characteristics. On initial recognition, financial instruments are measured at fair value.

Derecognition of financial assets and financial liabilities
A financial asset is derecognised when the contractual rights to receive the cash flows of the financial asset have expired or the entity has transferred its contractual right to receive the cash flows of the financial asset or assumed a contractual obligation to pay the cash flows immediately to a third party under an agreement and has thereby either transferred substantially all of the risks and rewards associated with ownership of the financial asset or has neither transferred nor retained substantially all of the risks and rewards associated with ownership of the financial asset but has transferred control over the asset.

A financial liability is derecognised when the obligation is settled, cancelled, or otherwise expired. However, expired liabilities from the savings business are not derecognised.

Categories of financial instruments
The Group classifies financial instruments into the following categories.

Classifications of financial instruments	Abbreviation
Assets held for trading	HFT
Assets voluntarily measured at fair value	AFV
Assets available for sale	AFS
Assets held to maturity	HTM
Loans and receivables	L&R
Liabilities and liabilities evidenced by certificates	LAC
Liabilities held for trading	LHFT
Liabilities voluntarily measured at fair value	LAFV

Explanations and measurement criteria for the individual categories are provided in the Notes on the respective balance sheet items.

Measurement of financial assets	Measurement
HFT – Trading assets and derivatives	Fair value in the income statement
AFV – Assets voluntarily measured at fair value	Fair value in the income statement
AFS – Assets available for sale	Fair value changes in other comprehensive income
HTM – Assets held to maturity	Amortised cost
L&R – Loans and advances to banks and customers	Amortised cost

Measurement of financial liabilities	Measurement
LAC – Amounts owed to banks	Amortised cost
LAC – Amounts owed to customers	Amortised cost
LAC – Liabilities evidenced by certificates	Amortised cost
LHFT – Trading liabilities and derivatives	Fair value in the income statement
LAFV – Liabilities voluntarily measured at fair value	Fair value in the income statement

Amortised cost
Amortised cost is the amount resulting from historical cost including premiums, discounts and incidental acquisition costs. The differences between historical cost and repayment amounts are deferred, amortised according to the effective interest method and recognised through profit or loss in net interest income. Accrued interest on receivables and liabilities as well as premiums and discounts are shown with the respective receivables and liabilities under the relevant balance sheet line item.

- **L&R category**
  Financial assets for which there is no active market are allocated to the L&R category if they are not derivatives and fixed or determinable payments can be attributed to the instruments. This applies regardless of whether the financial instruments originated within the entity or were acquired on the secondary market.

  Financial instruments of the L&R category are initially recognised on the balance sheet at fair value plus directly attributable transaction costs and fees as of the settlement date. These financial instruments are subsequently measured at amortised cost. Differences between cost and the repayment amounts are written up or amortised pro rata temporis using the effective interest method and recognised through profit or loss in net interest income. Impairment is recognised through profit or loss in the income statement.

- **HTM category**
  Financial assets are assigned to the HTM category if they are not derivatives and fixed or determinable payments can be attributed to them, if an active market exists for them and if they are intended and able to be held to maturity. On every acquisition, the Group uses liquidity figures and issue planning to examine whether it is able to hold the acquired financial instrument to the end of its term.

  Financial instruments of the HTM category are initially recognised on the balance sheet at fair value plus transaction costs and fees as of the settlement date. These financial instruments are subsequently measured at amortised cost. Differences between cost and the repayment amounts are written up or amortised pro rata temporis using the effective interest method and recognised through profit or loss in net interest income. Impairment is recognised through profit or loss in the income statement.

- **LAC category**
  Financial liabilities are allocated to the LAC category if they are neither derivatives nor designated at fair value.

  Financial instruments of the LAC category are initially recognised on the balance sheet at fair value plus transaction costs and fees as of the settlement date. These financial instruments are subsequently measured at amortised cost. Differences between the payment amounts and the repayment amounts are written up or amortised pro rata temporis using the effective interest method and recognised through profit or loss in net interest income.

Fair value
Fair value is the amount at which an asset could be exchanged or a liability settled in an orderly transaction between market participants on the measurement date.

Active market
Whether an active market exists for financial instruments is relevant for assessing the principles used in accounting for them. A market is considered active if transactions with the asset or liability occur at a sufficient frequency and volume to provide continuous price information. According to the provisions of IFRS 13, the active market is the principal market or the most advantageous market. The principal market is the market with the largest volume and highest level of activity for the asset or liability. For listed securities, this is usually the home exchange. The most advantageous market is defined as the market that would maximise the amount received when selling the asset after transaction and transport costs or minimise the amount paid when transferring the liability. However, as we acquire/issue securities mostly via OTC markets, we must check which market is the principal market for each individual security or, if this does not exist, which market is the most advantageous market.

The Group is guided by several indicators when assessing whether there is an active market. Firstly, certain asset classes are analysed to see if current price quotations are available. Further indicators include the currency-specific minimum size (issue volume) of a security and the trade score (BVAL score) offered by Bloomberg. Bloomberg's BVAL score indicates the level of availability, the quantity of transactions and thus also the reliability of the calculated market value. Securities that are actively traded at binding prices are given a high score.

Fair values on an active market
If a market price from an active market is available, it is used. If no current price quotations are available, the price of the last transaction indicates the fair value. However, if economic circumstances have changed significantly since the date of the last transaction, appropriate methods (e.g. premiums and discounts) are used to determine the current fair value. The primary sources of information for market prices of financial instruments are stock exchange listings, but also the Bloomberg and Reuters price information systems that are important for the OTC secondary market.

Measurement models in the event of an inactive or non-existent market
The measurement models (mark to model) used include deriving the fair value from the market value of a comparable financial instrument (reference bonds) or several comparable identical financial instruments (reference portfolio) as well as present value and option pricing models. For financial instruments with no active market, the fair value is determined according to the DCF model. The expected cash flows are discounted with an interest rate appropriate to the maturity and risk. The following distinction is made in the measurement process depending on the type of financial instrument.

– **For interest-bearing instruments**, such as receivables, liabilities and interestbearing over-the-counter securities, the fair value is determined as the present value of future cash flows. The value of this group of financial instruments is therefore determined according to the recognised DCF method, in which the expected cash flows are first discounted using the risk-free swap curve. In order to measure credit risk, the credit spread is derived from a financial instrument that is comparable in terms of duration, currency and credit rating or, if necessary, using a credit-risk-adjusted credit spread matrix. Reuters calculates rating- and duration-specific credit spreads of corporate bonds. This data is used to create a spread matrix. Spreads for intermediate levels and lower ratings are calculated by linear interpolation (or extrapolation) on the basis of Moody's WARF table. A spread premium of 125 bp is assigned for subordinated bonds with a residual term of up to three years and 150 bp for longer residual terms. If the current of a counterparty is unknown, the last known credit spread is used. These derivations and calculations are based on maximum input factors observable on the market. If there are no sufficiently usable input factors on the market, the calculation is based on internally measured input factors. These include internal ratings and internal probabilities of default. In the case of liabilities, own credit risk is measured using reference portfolios. The financial instruments to be measured are assigned to the categories of public placements, private placements and retail issues depending on their placement type. Furthermore, they are divided into senior unsecured, subordinated and covered bonds. Depending on the currency and remaining term, own credit risk is now derived taking into account the internal rating from the available reference portfolios with the same characteristics. An adjustment is made for private placements in order to accommodate the current issue level of private placements compared to public placements. If there is no market data for certain remaining terms, the calculation uses linear interpolation or extrapolation of market data.

– **For equity securitie**s, the following hierarchy of valuation techniques may be derived for reliable fair value measurement:

1. Market approach	Calculation based on derivation from comparable input factors observable on the market
2. Income approach	Discounted cash flow (DCF) method based on the entity/equity approach
3. Cost approach	Measurement at cost if fair value cannot be reliably determined

– **For derivatives,** fair value is determined using input factors observable on the market, such as yield curves and exchange rates. Specifically, derivatives are discounted – especially in hedge accounting – using the OIS yield curve and the swap curve customary on the interbank market. With regard to accounting for credit spreads, each counterparty's credit spread is measured on a net basis, provided that a corresponding netting agreement exists and in consideration of cash and/or securities collateral. Input factors observable on the market, such as CDS spreads, are also taken into account when determining credit spreads. If no CDS spread is available for our counterparty, the credit spread is measured using internal probabilities of default.

▪ **HFT category**
This balance sheet item contains securities and derivative financial instruments with a positive market value acquired for the purpose of generating short-term profits from market price movements or realising a trade margin. IT also includes the positive market value of derivative financial instruments of the banking book and of derivative financial instruments relating to underlying transactions of the fair value option. As the Group has applied hedge accounting only since the 2010 financial year, derivatives concluded previously that do not constitute hedging instruments in line with IAS 39 and have positive market values are assigned to this category even though there is no trading intention, as these derivatives were mainly concluded to hedge market price risks. Derivative financial instruments in the trading assets are recognised as of the trade date. Other financial instruments are carried as of the settlement date. Transaction costs are immediately recognised through profit or loss under commission expenses in the income statement.

They are measured at fair value. Gains/losses on remeasurement and realised gains/losses are recognised in the net trading result. If there are published price quotations on an active market, these are used as fair value. Otherwise, fair value is determined using recognised measurement methods. Interest income and interest expenses from trading assets and derivatives are recognised in net interest income.

▪ **AFV category**
Financial assets are voluntarily recognised at fair value if the financial instrument is in an economic hedging relationship with a derivative financial instrument. Recognising the derivative hedge at fair value would create an accounting mismatch between hedged item and hedge on the balance sheet and income statement. Voluntary recognition at fair value compensates for this accounting mismatch. Likewise, financial assets are voluntarily recognised at fair value if the financial instrument is part of a portfolio about which management receives regular market value reporting in order to monitor and manage the portfolio or the financial instrument contains one or more separable embedded derivatives. Financial instruments can be assigned to this category upon acquisition only.

Financial assets at fair value are securities and loans whose yield curves are switched from fixed or structured interest payments to variable interest conditions by way of interest rate swaps. Financial instruments of the AFV category are recognised and measured at fair value on the balance sheet. These financial instruments are carried on the balance sheet at fair value as of the settlement date. Transaction costs are immediately recognised through profit or loss under commission expenses in the income statement. Changes in fair value are reported through profit and loss in the net trading result. Impairment losses for the AFV category are included implicitly in the fair value of the financial instrument and are therefore not dealt with separately. Interest income and the amortisation of differences between cost and repayment amount are recognised in net interest income.

▪ **AFS category**
In this balance sheet item, the Group reports financial instruments that could not be assigned to any other category. Financial instruments of the AFS category are recognised and measured at fair value on the balance sheet. These financial instruments are carried on the balance sheet at fair value plus transaction costs as of the settlement date. Changes in fair value are reported in other comprehensive income in the AFS remeasurement reserve. Impairment is recognised through profit or loss in the income statement. Reversals of impairment on ownership interest are reported directly in the AFS remeasurement reserve. Reversals of impairment on debt securities are reported up to the original amortised cost in the income statement.

If the financial asset is sold, the gains/losses on remeasurement accumulated in the AFS remeasurement reserve are reversed and transferred to the net result from other financial instruments. If no reliable market value is available for equity instruments of this category, they are measured at historical cost.

- **LHFT category**
  This balance sheet item contains derivative financial instruments with a negative fair value acquired for the purpose of generating short-term profits from market price movements or realising a trade margin. The negative fair value of derivative financial instruments of the banking book is also reported here. Gains/losses on remeasurement and realised gains/losses are recognised in the net trading result. Derivative financial instruments in the trading liabilities are recognised as of the trade date. Any other financial instruments are carried as of the settlement date. In addition, interest rate derivatives relating to underlying transactions of the fair value option are reported here. Interest expenses and interest income from trading liabilities and derivatives are recognised in net interest income.

- **LAFV category**
  Financial liabilities are voluntarily recognised at fair value if the financial instrument is in a hedging relationship with a derivative financial instrument. Recognising the derivative hedge at fair value would create an accounting mismatch between hedged item and hedge on the balance sheet and income statement. Voluntary recognition at fair value compensates for this accounting mismatch. Financial liabilities are also voluntarily recognised at fair value if the financial instrument contains one or more separable embedded derivatives. Financial instruments can be assigned to this category upon acquisition only.

  The financial liabilities primarily relate to issues and time deposits from institutional investors, whose interest rates were fixed for the term. Interest rate swaps were concluded to hedge resulting interest rate risk. New issues containing embedded derivatives, fixedrate issues and time deposits are assigned to this category upon acquisition to avoid an accounting mismatch arising from the hedging derivative.

  Financial instruments of the LAFV category are recognised and measured at fair value on the balance sheet. These financial instruments are carried on the balance sheet at fair value as of the settlement date. Transaction costs are immediately recognised through profit or loss under commission expenses in the income statement. Changes in fair value are reported through profit and loss in the net trading result or in the result from change in own credit risk. The interest income and interest expenses are reported in net interest income.

d) Financial guarantees
According to IAS 39, a financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The obligation from a financial guarantee is recognised as soon as the issuer becomes a party to the contract, i.e. on the date the guarantee offer is accepted. Initial measurement is at fair value as of the recognition date. Generally, the fair value of a financial guarantee on inception is regularly zero, as the value of the agreed premium under fair market contracts equals the value of the obligation for the guarantee. If the guarantee premium is collected in full at the inception of the contract, the premium is initially recognised as a liability and distributed over the term pro rata temporis. If regular premiums are paid from the guarantee, these are deferred and reported in commission income. If there are indications of a deterioration of the guarantee holder's credit rating, provisions are recognised equalling the expected utilisation.

e) Embedded derivatives
Embedded derivatives – derivatives that are part of and linked to a primary financial instrument – are separated from the primary financial instrument and recognised and measured separately like a standalone derivative at market value (fair value) if the characteristics and risks of the embedded derivative are not closely linked to those of the host contract and the host contract has not been assigned to the HFT or AFV categories. Changes in measurement are recognised through profit or loss in the income statement. In contrast, the host contract is recognised and measured according to the relevant category of the financial instrument. The Group holds financial instruments with embedded derivatives in Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft. For residential construction financing, the Bank offers its customers the "Zinslimitkredit" loan product, in which an optional interest cap of 5 % or 6 % can be agreed for terms of 12 or 20 years respectively. This embedded derivative is closely linked with the hedged item, so they are not separated. The Bank also has embedded derivatives for bonds with conversion options, inflation, fund and equity-linked income payments, CMS steepeners, CMS floaters, reverse floaters, multi-tranches and PRDCs. These securities are voluntarily designated at fair value, as the embedded structures were hedged with derivative financial instruments.

f) Repurchase and securities lending agreements
Repo agreements are a combination of regular way purchases or regular way sales of securities with a simultaneous agreement to forward sale or repurchase with the same counterparty. The securities sold in repo agreements (regular way sales) continue to be recognised and measured as securities in the lender's balance sheet, as all material risks and rewards remain with the pledgor. As pledgor, we thus continue to bear the credit, market price and liquidity risk of the securities sold in repo agreements. Inflows of liquidity from repo agreements are shown on the balance sheet as amounts owed either to banks or to customers depending on the counterparty. Agreed interest payments are recognised as interest expenses according to maturity. Outflows of liquidity resulting from reverse repos are recognised as loans and advances to banks or customers and measured accordingly. The securities received (regular way purchase) underlying the money transaction are not shown or measured on the balance sheet. Agreed interest from reverse repos is recognised as interest income according to maturity. Receivables from reverse repos and liabilities from repos with the same counterparty are not offset. Is very likely that securities are collateralised on a net basis, so in the case of reverse repos and repos with the same counterparty, the securities sold or received in repo agreements collateralise the net exposure arising from reverse repos and repos.

We account for securities lending transactions in the same way as securities from genuine repurchase agreements. Lent securities remain in our securities portfolio and are measured according to the rules of IAS 39. Borrowed securities are not recognised or measured. We continue to show collateral provided by us for securities lending transactions as loans and advances on the balance sheet. We recognise securities received from securities lending transactions as liabilities.

As a rule, the Group generally uses internationally recognised clearing houses such as EUREX Clearing AG or the Swiss National Bank when concluding repurchase agreements. Settlement is standardised and secured to the highest possible degree, so no delivery risk is anticipated on the part of the counterparty. Settlement very often takes the form of a triparty repo agreement.

g) Impairment of financial assets
We account for specific counterparty default risks in the lending business by recognising specific and portfolio valuation allowances.

Identifiable risks from the lending business are covered by specific valuation allowances and global valuation allowances. In addition, portfolio valuation allowances are recognised for risks incurred but not yet identified for groups of financial assets with similar default risk profiles, the amounts of which are determined on the basis of Basel II parameters (anticipated loss rates, probabilities of default). The loss identification period (LIP) is applied as a correction factor for the probability of default. The time value of money is also factored into the loss given default (LGD). The recognised loan loss provision is netted against the underlying asset. Potential impairment is assumed in the event of the following indicators: payment default over a certain period, the introduction of coercive measures, pending insolvency or over-indebtedness, filing or opening of bankruptcy proceedings or the failure of restructuring measures. Impairment is required if the expected recoverable amount of a financial asset is lower than the respective carrying amount, i.e. if the loan is expected to be (partially) unrecoverable. If this is the case, the loss for financial assets carried at amortised cost must be recognised through profit or loss either via indirect impairment (loan loss provision) or a direct write-down. The recoverable amount is given by the present value based on the original effective interest rate from the financial asset. Unrecoverable loans are written down directly through profit or loss in the appropriate amount; amounts received on loans already written down are recognised through profit or loss.

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and this loss event (or these loss events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

- **Financial assets carried at amortised cost**
  If there is objective evidence of impairment, the amount of the loss is given by the difference between the carrying amount of the asset and the present value of the estimated future cash flows. The calculation of the present value of the estimated future cash flows of collateralised financial assets reflects the cash flows resulting from realisation less costs for obtaining and selling the collateral.

  For loans and receivables, impairment is netted with the underlying receivable in the respective balance sheet item. The loss (allocation) is reported in the income statement under loan loss provisions. Loan loss provisions include specific valuation allowances for loans and receivables for which there is objective evidence of impairment. Loan loss provisions also include portfolio valuation allowances for which there is no objective evidence of impairment when considered individually. In the case of bonds in the HTM and L&R categories, impairment is recognised directly on the balance sheet by reducing the corresponding asset items and in the income statement under net result from other financial instruments. Interest income from individually impaired assets is deferred further on the basis of the reduced carrying amount, applying the interest rate used to discount the future cash flows for the purpose of calculating the impairment loss. This interest income is included under interest and similar income.

  Loans are derecognised together with the associated impairment if there is no realistic prospect of future recovery and all collateral has been claimed and utilised. If the impairment increases or decreases in a subsequent period due to an event occurring after the recognition of impairment, the allowance account previously recognised for loans and receivables is increased or decreased by the amount of the difference. In the case of bonds in the HTM and L&R categories, the carrying amount is increased or decreased directly on the balance sheet. Reductions in impairment are reported in the income statement in the same item as the impairment loss itself.

- **Available-for-sale financial assets**
  Debt instruments classified as available for sale are reviewed individually to determine whether there is objective evidence of impairment based on the same criteria as for financial assets carried at amortised cost. However, the impairment amount recognised is the cumulative loss from the difference between amortised cost and the current fair value less any impairment previously recognised through profit or loss. When recognising impairment, all losses previously recognised in other comprehensive income under remeasurement reserve are reclassified to the income statement under net result from other financial instruments. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to a loan event occurring after the impairment was recognised in profit or loss, the impairment shall be reversed, with the amount of the reversal recognised in profit or loss under net result from other financial instruments. Impairment losses and their reversals are recognised directly against the asset on the balance sheet. For equity instruments classified as available for sale, a significant or prolonged decline in fair value to below cost is also considered objective evidence. If there is evidence of impairment, the cumulative difference between cost and the current fair value less any impairment previously recognised through profit or loss is reclassified from the remeasurement reserve in other comprehensive income to the net result from other financial instruments in the income statement. Impairment losses on equity instruments cannot be reversed via the income statement. Increases in fair value after impairment are recognised directly in other comprehensive income. Impairment losses and their reversals are recognised directly against the asset on the balance sheet.

- **Off-balance sheet loans**
  Risk provisions for off-balance sheet loans, such as warranties, guarantees and other loan commitments, are included under provisions, and the associated expense is reported through profit and loss under loan loss provisions.

h) Hedge accounting
The Group uses derivative instruments to hedge against currency and interest rate risks, such as interest rate swaps, currency swaps and cross-currency swaps. At the beginning of the hedge relationship, the Group explicitly defines the relationship between the hedged transaction and the hedging instrument, including the type of risks being hedged against, the goal and strategy for execution and the method used to assess the effectiveness of the hedging instrument. In addition, at the beginning of the hedge relationship the hedge is expected to be highly effective in terms of compensating for risks from changes in the hedged transaction. A hedging relationship is considered highly effective if changes in the fair value or cash flow attributable to the hedged risk for the period for which the hedging relationship was determined can be expected to be offset within a range of 80 % to 125 %. Detailed conditions for individual hedging relationships used are set internally.

- **Fair value hedges**
  Fair value hedges are employed to reduce market value risk. For designated and qualified fair value hedges, the change in the fair value of the hedging derivative is recognised through profit and loss under net result on hedge accounting. In addition, the carrying amount of the hedged item is adjusted through profit or loss for the gain or loss that can be attributed to the hedged risk. Fair value hedges are primarily used to hedge interest rate risks. The main items hedged are therefore financial instruments with fixed and structured interest in the form of acquired and issued securities, loans and time deposits. In individual cases, interest rate and currency risks are hedged together.

  If a hedging instrument expires, is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting, the hedging relationship is terminated. In this case, the adjustment of the carrying amount of a hedged financial instrument is reversed through profit and loss under net result on hedge accounting until the maturity of the financial instrument.

i) Offsetting financial instruments
Financial assets and liabilities are set off and reported as a net amount on the balance sheet only if there is a legal right at the present time to set off the reported amounts against each other and the intention is to settle on a net basis or to settle the associated liability simultaneously with the realisation of the asset.

j) Leases
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. We classify a finance lease as a lease that transfers substantially all the risks and rewards incidental to ownership of the asset. All other leases in our Group are classified as operating leases.

- **Accounting as lessor**
  Leases are assessed according to whether the risks and rewards of ownership of the leased item are borne by the lessor or by the lessee and recognised accordingly as a finance or operating lease. Leased assets attributable to the lessee (finance leases) are shown at net investment in the lease (present value) under loans and advances to customers (Note 17). The net investment in the lease comprises the present value of the contractually agreed payments taking into account any residual values. Finance lease income is shown as interest income (Note 5).
  In the Group, receivables from finance leases under which the leased asset is attributable to the lessee primarily relate to real estate properties. In the case of operating leases, the leased assets are reported under property, plant and equipment or as property under investment property and depreciated according to the applicable principles for these assets. Lease income is recognised on a straight-line basis over the lease term. Lease payments received in the period and depreciation are recognised under other income and other expenses. Leases in which the Group acts as lessor are classified almost exclusively as finance leases.

- **Accounting as lessee**
  The Group has not concluded any finance leases. As a lessee of real estate, the Group reports operating leases and recognises the full lease payments made as rental expense under administrative expenses. There were no sale-and-lease-back transactions in the Group in 2015.

k) Investment property
On initial recognition, investment property is measured at cost plus ancillary costs. Investment property is subsequently carried at cost less cumulative depreciation and/or cumulative impairment losses. Investment property includes properties held to earn rental income and/or for capital appreciation, not for providing services, for administrative purposes or for sale in the ordinary course of business. Leased properties are also reported under this balance sheet item if the leased assets are attributable to the lessor (operating leases). Lease income is recognised on a straight-line basis over the term of the contract.

A sworn and court-certified appraiser employed by Hypo Immobilien & Leasing GmbH regularly draws up valuation appraisals for investment property. The appraiser uses the income capitalisation approach, the market approach and other approaches to value these assets. The appraiser then compares the ascertained value with the real estate market and makes a further adjustment if necessary. For larger properties, appraisals are also prepared by independent third parties.

Rental income is recognised under other income. Depreciation and maintenance expenses for these properties are reported under other expenses. No contingent rentals were recognised as income in the reporting period. The statement of operating expenses for investment property for which no rental income was generated in the reporting period results in disproportionately high expenses without increasing the informational value of the financial statements with regard to the Group's core business.

l) Intangible assets
Intangible assets are recognised at cost on initial recognition and subsequently carried at cost less cumulative amortisation and cumulative impairment. Intangible assets are recognised only if it is probable that the expected benefits will flow to the enterprise, and the cost can be determined reliably.

Intangible assets with finite useful lives are amortised on a straight-line basis over their economic lives and tested for potential impairment. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed at least at the end of each reporting period.

The Group's intangible assets balance sheet item includes acquired software with a finite useful life. Amortisation and impairment of acquired software is recognised through profit or loss under administrative expenses. Amortisation is applied on the basis of the following typical operational useful lives.

Typical operational useful life	in years
Standard software	3
Other Software	4
Securities administration software	10

m) Property, plant and equipment
Property, plant and equipment is carried at cost less cumulative depreciation and/or cumulative impairment losses. Depreciation is applied on a straight-line basis over the estimated useful life. Physical wear and tear, technical obsolescence and legal and contractual restrictions are considered when determining the useful life of property, plant and equipment. Land is not depreciated. Cost includes the costs for replacing parts of an item of property, plant and equipment and the borrowing costs for major, long-term construction projects if the recognition criteria are met. As of the reporting date and in the previous-year period, there were no liabilities or obligations from asset purchases or the construction of plant. There were likewise no restrictions on title, and no items of property, plant and equipment were pledged as security for liabilities. Depreciation is applied on the basis of the following typical operational useful lives.

Typical operational useful life	in years
Buildings	25 – 50
Operational and office equipment	5 – 10
Construction on leased premises	10
IT hardware	3

In addition, impairment is recognised if the recoverable amount is lower than the carrying amount of the asset. Property, plant and equipment is derecognised either on disposal or when no more economic benefit is expected from the further use or sale of the recognised asset. Gains or losses arising from the disposal of the asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised through profit and loss in the period under other income or other expenses in the income statement.

n) Impairment of non-financial assets
At each reporting date, the Group determines whether there are indications of impairment of non-financial assets. If there are such indications, or an annual impairment test is required for an asset, the Group estimates the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the asset or cash-generating unit's fair value less costs to sell and the value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset or cash-generating unit exceeds the recoverable amount, the asset is impaired and written down to its recoverable amount. To determine value in use, the estimated future cash flows are discounted to their present value on the basis of a pre-tax discount rate that reflects current market expectations regarding the time value of money and the specific risks of the asset. An appropriate measurement model is used to determine the fair value less costs to sell.

The Group bases its impairment testing on detailed budgets and forecasts prepared separately for each of its cash-generating units to which individual assets are attributable. Such budgets and forecasts usually cover a period of five years. Impairment losses of continuing operations are recognised through profit or loss in the expense categories corresponding to the impaired asset's function in the Group. This does not apply to previously remeasured assets if the increases in value resulting from remeasurement were recognised in other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount from a preceding remeasurement. Non-financial assets are tested for impairment once a year (as of 31 December). A test is also performed when circumstances indicate that the value could be impaired.

o) Tax assets

- **Current taxes**
  Current tax assets and liabilities are calculated on the basis of the tax provisions of each country using current tax rates, which determine the reimbursement from and payment to the respective tax authorities. Assets and liabilities are recognised only for expected claims against and obligations to the tax authorities. Current tax assets and liabilities are set off only if the Group has a legally enforceable right to set off the reported amounts and actually intends to settle on a net basis. This occurs in the Group in particular in connection with group taxation. Performance-based current tax expenses are recognised in the Group's income statement under taxes on income.

- **Deferred taxes**
  Deferred taxes are recognised and measured according to the balance-sheet-based liability method. The measurement for each taxable entity uses the tax rates applicable by law in the taxable period. Deferred taxes are not discounted. The effects of the recognition or reversal of deferred taxes are also including in the Group's income statement under taxes on income, unless deferred tax assets and liabilities relate to items measured in other comprehensive income. In this case, the deferred taxes are recognised or reversed in other comprehensive income.

  Deferred tax assets/liabilities reflect the potential tax benefits/expenses from temporary differences between the carrying amounts of assets and liabilities on the consolidated balance sheet according to IFRS and the tax base according to local tax provisions of Group companies. Deferred tax assets are only recognised if there are sufficient deferred tax liabilities within the same tax entity or it is sufficiently likely that taxable income will be generated in the same tax entity in the future. This also applies to the recognition of deferred tax assets on tax loss carryforwards.

p) Non-current assets available for sale and liabilities relating to assets available for sale
Non-current assets are classified as available for sale if they can be sold in their present condition and the sale is probable with 12 months of the classification. Assets available for sale are reported in the balance sheet item "non-current assets available for sale". Non-current assets classified as available for sale are measured at the lower of the carrying amount and fair value less costs to sell.

The item non-current assets available for sale includes properties that were subject to finance leases. These finance leases were terminated or cancelled prematurely. This item also includes leased assets that are to be sold after the expiry of the lease. If there is a realistic possibility of a sale within 12 months, the Group assigns the properties to this balance sheet item. No regular depreciation is recognised for these assets, but impairment is recognised if the fair value less costs to sell falls below the carrying amount. These properties are sold by Hypo Immobilien & Leasing GmbH and the leasing companies. If a sale is not possible in the medium term, the properties are usually rented out or let. In these cases, they are reclassified to investment property. If neither sale within 12 months nor medium-term rental appear realistic, they are reclassified to the other assets item of the balance sheet.

A disposal group is a group of assets, possibly with associated liabilities, that an entity intends to sell in a single transaction. The measurement basis and the criteria for the classification as available for sale is applied to the entire Group. Assets that are part of a disposal group are reported on the balance sheet under "non-current assets available for sale". Liabilities relating to assets available for sale that are part of a disposal group are reported on the balance sheet under "liabilities relating to non-current assets available for sale". There are no liabilities relating to non-current assets available for sale.

All income and expenses relating to assets available for sale are recognised in the income statement under other income or other expenses.

q) Provisions
A provision is recognised if the Group has a present legal or constructive obligation as a result off a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. We therefore recognise provisions for uncertain obligations to third parties and onerous contracts in the amount of the expected utilisation. The amount recognised for a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimate takes risks and uncertainties into account. Provisions are recognised at present value where the effect of the time value of money is material. Provisions also include credit risk provisions for off-balance-sheet transactions (especially warranties and guarantees) and provisions for litigation. Expenses or income from the reversal of credit risk provisions for off-balance-sheet items are recognised in the income statement under loan loss provisions. All other expenses or income in connection with provisions are recognised in administrative expenses and under other expenses.

The Group's social capital is also shown under provisions. Social capital means provisions for defined-benefit and defined-contribution plans for employees. Social capital includes provisions for pensions, severance, anniversary bonuses and disability risk. The liability recognised from a defined-benefit plan equals the present value of the obligation less the fair value of the plan assets out of which the obligations are to be settled directly. The present value of the obligation exceeds the fair value of the plan assets in all plans.

- **Pensions**
  At Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, 12 (2014: 12) pensioners and their surviving dependants are entitled to a defined-benefit bank pension. This is a final salary plan based on a works agreement. On the basis of the statutory requirement according to the Swiss Occupational Pensions Act (BVG), 20 employees (2014: 21) of the St. Gallen branch are entitled to a defined-benefit pension. The Group and the employees make contributions to the BVG collective foundation Swiss Life, which is managed by Swiss Life AG. 13 (2014: 15) active employees are entitled to a disability pension. A defined-contribution pension agreement has been concluded with the active employees entitled to a pension. There is no other constructive obligation from normal commercial practice.

- **Severance**
  Austrian labour law previously required a compensation payment to be made to employees on termination of their employment relationship under certain circumstances. Severance entitlements are governed by Section 23 of the Austrian Salaried Employees Act. This includes in particular the termination of employment due to retirement. All employees who joined the company before 1 January 2003 are entitled to this severance. Depending on the length of service, the maximum severance entitlement is one year's salary, calculated on the basis of final salary. This is a defined-benefit plan. The Group has recognised a severance provision for these entitlements.

- **Anniversary bonuses**
  After 25 and 40 years of service, every employee is entitled to an anniversary bonus of one and two months' salary respectively. The entitlement to an anniversary bonus is based on a collective agreement, which stipulates both the conditions and the amount of the entitlement.

  The agreed payments to a pension fund for defined-contribution plans are expensed on an ongoing basis. The statutory "new severance" payment is likewise expensed on an ongoing basis. There are no further obligations.

r) Trust activities
Trust activities that involve the holding or placing of assets on behalf of third parties are not reported on the balance sheet. Commission payments for such activities are included in the income statement within net fee and commission income.

s) Recognition of income and expenses and description of income statement items
Income is recognised if it is probable that the economic benefit will flow to the company and the income can be measured reliably. The following designations and criteria are used for the recognition of income in the items of the income statement:

- **Net interest income**
  Interest income is recognised on an accrual basis as long as the interest is deemed collectible. Income that primarily constitutes consideration for the use of capital (usually interest or similar calculation according to timing or amount of the receivable) is allocated to similar income. Interest expenses are recognised in the same way as interest income. Differences arising from the sale and issue of securities are recognised in the income statement according to the effective interest method. Similar income is recognised in the income statement only once the legal right to receive payment is established.

- **Loan loss provisions**
  This item shows the recognition and reversal of specific valuation allowances and portfolio valuation allowances for balance-sheet and off-balance-sheet lending transactions. Direct write-downs of loans and advances to banks and customers and amounts received on loans and advances to banks and customers already written down are also reported in this item.

- **Net fee and commission income**
  Income from the service business and expenses attributable to this income are reported under net fee and commission income. This item contains income and expenses primarily in connection with fees and commissions from payment transactions, securities business, lending business, insurance and real estate brokerage business and foreign exchange business. Lending fees relating to new loans are not recognised in net fee and commission income but instead in interest income as part of the effective interest rate.

- **Net result on hedge accounting**
  This item firstly includes the full fair value changes of hedging instruments that meet the criteria for hedge accounting. Secondly, this item includes carrying amount adjustments from the hedged item. If a hedge no longer meets the criteria according to IAS 39, the further value changes of hedging instruments are recognised through profit or loss in the net trading result.

- **Net trading result**
  The net trading result comprises three components:
  – Result from trading in securities, promissory note loans, precious metals and derivative instruments
  – Result from the measurement of derivative financial instruments that do not belong to the trading portfolio and are not in a hedging relationship according to IAS 39
  – Result from the use of the fair value option

  The fair values of trading assets and liabilities are measured on the basis of market prices. The fair values of non-listed products are measured according to the present value method or using suitable measurement models. As well as realised gains/losses, the net trading result also includes gains/losses on the remeasurement of trading activities. It also includes ineffective portions from hedging and currency gains and losses. The net trading result does not include interest and similar income or refinancing costs, which are shown in net interest income.

- **Net result from other financial instruments**
  The net result from other financial instruments includes gains/losses on disposal and remeasurement of securities in the financial assets portfolio, investments and shares in non-consolidated subsidiaries. The net result from other financial instruments also contains the realised gain and loss on disposal and the measurement of financial instruments of the HTM, L&R and LAC categories. It does not include gains and losses of the HFT, AFV, LHFT, or LAFV categories, which are recognised in the net trading result. The net result from L&R financial assets includes write-ups, write-downs and realised gains and losses that arise from securities and are not part of our primary customer business.

- **Administrative expenses**
  Administrative expenses include the following expenses accrued in the reporting period: staff costs, material expenses and depreciation, amortisation and impairment on the balance sheet items property, plant and equipment and intangible assets.

  The staff costs include wages and salaries, bonuses, statutory and voluntary social benefits, personal taxes and levies. Expenses and income from severance, pension and service anniversary provisions are also partially included in this item. In addition to IT expenses, material expenses also include building expenses, advertising and PR expenses, legal and consulting expenses, staff development expenses (training, recruiting) and other expenses required for running an office. The depreciation and impairment relate to land, developed land and buildings used by the Group itself, operating and office equipment and movables let under operating leases.

- **Other income**
  This item comprises income that is not directly attributable to the Bank's operating activities. This included rental income from leased properties, gains on the disposal of assets, other income from leasing business and operating cost income. Income from operating leases is recognised on a straight-line basis over the terms of the leases.

- **Other expenses**
  This item comprises expenses that are not directly attributable to the Bank's operating activities. These include depreciation of properties let, losses on the disposal of assets, expenses from leasing business, other tax expenses apart from taxes on income, operating cost expenses and expenses from loss events or operating risk.

- **Taxes on income**
  This item includes all income-based taxes broken down into current tax expenses, deferred tax expenses and taxes from previous periods.

t) Material judgements, assumptions and estimates

To prepare the consolidated financial statements, the management has to make estimates and assumptions affecting disclosures on the balance sheet and in the notes and the recognition of income and expenses during the reporting period. They relate primarily to estimating the value of assets, determining standard economic lives for property, plant and equipment throughout the Group and recognising and measuring provisions. The estimates and judgements are based on assumptions reflecting the latest information available. Expected future business development is estimated on the basis of the prevailing circumstances as of the date the consolidated financial statements are prepared and realistic assumptions about the future development of the global and industry-specific environment. Developments in these conditions that deviate from these assumptions and lie outside of the management's sphere of influence can cause differences in actual amounts compared to the original estimates. Where substantial estimates were required, the assumptions made are described below. In individual cases, actual values may differ from the assumptions and estimates.

- **Impairment on loans and advances to banks and customers**
  The Group inspects the credit portfolio for impairment at least once a quarter. It assesses whether identifiable events reduce the expected future cash flows in the credit portfolio. Indicators of impairment include non-compliance with due dates and agreements, the monitoring and analysis of customers' financial circumstances and rating changes. The management takes assumptions based on historical default probabilities for similar credit portfolios into account when estimating future cash flows. A 1 % increase in the impairment ratio (ratio of risk provision to exposure) with respect to the underlying exposure would increase the risk provision by EUR 1,682,000 (2014: EUR 1,692,000). A 1 % reduction in the impairment ratio with respect to the underlying exposure would reduce the risk provision by EUR 1,682,000 (2014: EUR 1,692,000). Allocations to the portfolio valuation allowance for defaults that have already occurred but have not been recognised are made on the basis of historical probabilities of default, expected loss rates and the correction factor of the loss identification period (LIP). A 1 % linear and relative shift of the probabilities of default would result in an increase or decrease of EUR 140,000 (2014: EUR 128,000). Overall, a 1 % increase in the probabilities of default would change the expected loss from unimpaired receivables by EUR 280,000 overall (2014: EUR 255,000). The LIP was recognised at 180 days. An increase in the LIP factor of 30 days would increase the portfolio value allowance by EUR 2,329,000 (2012: EUR 2,125,000). The development of credit risk provisions is shown in Note (17). The effects on the income statement are shown in Note (6). The carrying amount of the assets underlying the judgements, assumptions and estimates amounts to EUR 9,711,487,000 (2014: EUR 9,837,752,000).

- **Impairment on financial instruments available for sale**
  With regard to these financial instruments, the Group distinguishes between debt and equity securities. Debt securities are impaired when events reduce the expected future cash flows. Equity securities are impaired when the market value of the financial instrument is lower than cost by more than a fifth in the last six months before the reporting date or by more than a tenth in the last twelve months before the reporting date. When deciding whether impairment is required, the Group takes the normal volatility of share prices into account. If all market value fluctuations were considered material or permanent, this would increase the remeasurement reserve by EUR 1,926,000 (2014: EUR 1,393,000) and reduce the net result from other financial instruments by EUR 1,926,000 (2014: EUR 1,393,000). The effects arising from the assumptions and estimates can be seen in other comprehensive income (Section III) and in the net result from other financial instruments (Note (10)). They have no effect on the carrying amounts of these financial instruments. The carrying amount of the assets underlying the judgements, assumptions and estimates amounts to EUR 745,426,000 (2014: EUR 721,149,000).

- **Impairment on financial instruments held to maturity**
  The Group tests these financial instruments for impairment on an ongoing basis, including by monitoring rating changes and price performance. For example, if the rating deteriorates, the price performance of the financial instrument is examined. Impairment is recognised if the price deteriorates on the basis of the rating. If all differences between market value and carrying amount were deemed permanent impairment, this would reduce the net result from other financial instruments by EUR 702,000 (2014: EUR 141,000). The carrying amounts on which these assumptions and estimates are based are shown in Note (22). Effects on the income statement are reported in Note (10). The carrying amount of the assets underlying the judgements, assumptions and estimates amounts to EUR 987,685,000 (2014: EUR 1,114,333,000).

- **Fair values of financial instruments measured at fair value in measurement level 3**
  Many of the financial instruments measured at fair value are not traded on an active market. These fair values are determined using measurement models. When using measurement models, the Group refers to the prices of observable, current market transactions with similar instruments and, when available, uses observable market data in the measurement models. See Note (57) for information on the sensitivities of the measurement models used. With regard to the income statement, these assumptions and estimates affect the net trading result in Note (9). With regard to the measurement of OTC derivatives, credit risk is also taken into account when calculating fair value in the form of a credit value adjustment (CVA) or a debt value adjustment (DVA). In the event of netting agreements, CVAs and DVAs are calculated on the basis of the net position for each counterparty including collateral, probabilities of default and credit default swap spreads (CDS spreads) observable on the market. The effect of the recognition of credit risk amounted to EUR –16,188,000 (2014: EUR –4,612,000) and was recognised in the net trading result. The carrying amount of the assets underlying the judgements, assumptions and estimates amounts to EUR 478,443,000 (2014: EUR 459,443,000) and of the liabilities EUR 1,798,837,000 (2014: EUR 2,049,090,000).

- **Income taxes**
  With regard income taxes, the Group is subject to several tax authorities. Material estimates are used in the calculation of the tax provision in Note (38). The taxable income for each company is calculated on the basis of the local commercial result by reconciling financial and tax accounting. In addition, expected additional tax obligations in connection with ongoing or announced tax audits are recognised in the tax provision. After a completed tax audit, the difference between the expected and the actual payment of back taxes is recognised through profit or loss in the income statement under income taxes from previous periods and deferred taxes. Judgements are required to determine the amount of deferred tax assets to be recognised based on the probable timing and amount of future taxable income and future tax planning strategies. Tax assets are recognised on the basis of budgetary accounting over a period of five years. Disclosures relating to deferred taxes are provided in Notes (27) and (39). The effects on the income statement are shown in Note (14). The carrying amount of the assets underlying the judgements, assumptions and estimates amounts to EUR 13,934,000 (2014: EUR 12,278,000) and of the liabilities EUR 22,502,000 (2014: EUR 10,140,000).

- **Provisions**
  The amount recognised for provisions is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimate takes risks and uncertainties into account. The provisions recognised on the balance sheet are shown in Note (37). The effects on the income statement relating to liabilities and credit risks are shown under loan loss provisions in Note (6) and in other cases under administrative expenses in Note (11). The carrying amount of the provisions – not including social capital – underlying the judgements, assumptions and estimates amounts to EUR 35,791,000 (2014: EUR 49,098,000).

- **Social capital**
  Provisions for pensions, former severance entitlements and anniversary bonuses relate to defined-benefit plans. The present values of social capital are calculated using the following actuarial assumptions:

  – Provisions for defined-benefit obligations are recognised according to the accrued benefit method.
  – The expected retirement age was calculated individually for each employee on the basis of the changes resolved in the 2003 Austrian Ancillary Budget Act with regard to raising the earliest possible retirement age. The current regulation for incrementally raising the retirement age to men and women was taken into account.
  – Generation tables for employees: table values from “AVÖ 2008 P-Rechnungsgrundlage für die Pensionsversicherung – Pagler & Pagler”

Actuarial assumptions for the calculation of the present value of social capital	2015	2014
Interest rate/domestic	2.00 %	2.00 %
Annual indexing for pension provisions	2.50 %	2.50 %
Annual indexing (collective bargaining and performance-based salary increases) for other provisions	2.00 %	2.00 %
Employee turnover rate for severance provisions	2.00 %	2.00 %
Employee turnover rate for other provisions	8.00 %	8.00 %
Individual career trend	2.50 %	2.50 %

The actuarial gains and losses from the adjustment of actuarial assumptions were recognised in other comprehensive income at EUR 154,000 (2014: EUR –947,000). The deferred taxes resulting from the recognition were also recognised directly in other comprehensive income at EUR –88,000 (2014: EUR 225,000). For 2016, pension payments of EUR 354,000 (2015: EUR 342,000), severance payments of EUR 278,000 (2015: EUR 298,000) and anniversary bonuses of EUR 89,000 (2015: EUR 76,000) are expected.

The amount of social capital is determined on the basis of actuarial calculations. The discount factor is a significant lever for the amount of social capital. A 0.5 % decline in the discount factor would increase staff costs by EUR 1,541,000 (2014: EUR 1,663,000), and a 0.5 % increase in the discount factor would reduce staff costs by EUR 1,451,000 (2014: EUR 1,504,000). A 0.5 % decline in the salary or pension trend would reduce staff costs by EUR 1,395,000 (2014: EUR 1,439,000), and a 0.5 % increase in the salary or pension trend would increase staff costs by EUR 1,460,000 (2014: EUR 1,569,000). A 0.5 % decline in employee turnover would increase staff costs by EUR 68,000 (2014: EUR 95,000), and a 0.5 % increase in employee turnover would reduce staff costs by EUR 122,000 (2014: EUR 95,000). The carrying amounts of social capital are shown in Note (37). Effects on the income statement are reported in Note (11). The carrying amount of the social capital underlying the judgements, assumptions and estimates amounts to EUR 25,498,000 (2014: EUR 25,083,000).

- **Leases**
  From the perspective of the lessor, judgements are required in particular to distinguish between finance leases and operating leases depending on the transfer of substantially all risks and rewards from the lessor to the lessee. The carrying amount of the finance leases underlying the judgements, assumptions and estimates amounts to EUR 1,236,325,000 (2014: EUR 1,287,887,000).

(4) APPLICATION OF REVISED AND NEW IFRS AND IAS

IFRS rules with mandatory application as of the reporting date were applied to the consolidated financial statements.

a) First-time application of new and revised standards and interpretations
The International Accounting Standards Board (IASB) has made a number of changes to existing standards and issued new standards and interpretations, application of which is mandatory for 2015. These rules must also be observed in the EU and concern the following areas:

- **Publication of IFRIC 21 – Levies**
  In May 2013, the IASB published IFRIC 21. It was endorsed by the EU on 13 June 2014. IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. It clarifies primarily when a present obligation arises from a levy imposed by a government and when a provision or liabilities must be recognised. This new interpretation also affects the Group.

- **Annual Improvement Project 2011 – 2013 cycle**
  In December 2013, the IASB published revisions to existing IAS/IFRS rules as part of its annual improvement programme. The proposed amendments were endorsed by the EU on 18 December 2014. These amendments primarily relate to clarifications regarding IFRS 1 (meaning of effective IFRSs), IFRS 3 (scope of exception for joint ventures), IFRS 13 (scope of paragraph 52 (portfolio exception)) and IAS 40 (clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property). These amendments have no material effect.

- **Amendment to IAS 19 – Defined Benefit Plans: Employee Contributions**
  In November 2013, the IASB published the amendments to IAS 19 in relation to employee contributions. The amendment was endorsed by the EU on 17 December 2014. The amendments clarify the requirements that relate to how contributions from employees that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

- **Annual Improvement Project 2010-2012 cycle**
  In December 2013, the IASB published revisions to existing IAS/IFRS rules as part of its annual improvement programme. The amendments were endorsed by the EU on 17 December 2014. The amendments mainly relate to clarifications regarding IFRS 2 (definition of vesting conditions), IFRS 3 (accounting for contingent consideration in a business combination), IFRS 8 (aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets), IFRS 13 (definition short-term receivables and payables), IAS 16 and IAS 38 (revaluation method – proportionate restatement of accumulated depreciation) and IAS 24 (definition of key management personnel). The amendments must be applied for the first time in financial years beginning on or after 1 February 2015. The Group does not expect this to result in any material changes.

b) New standards and interpretations not yet applied
The IASB has issued further standards and revisions of standards and interpretations that are not mandatory for the 2015 financial year. Unless stated otherwise, the amendments apply to financial years beginning on or after 1 January 2016.

- **Publication of IFRS 9 – Financial Instruments**
In July 2014, the IASB published IFRS 9. The standard is to replace the regulations of IAS 39. IFRS 9 deals with the classification, measurements and impairment of financial instruments and with hedge accounting. The standard is applicable to financial years beginning on or after 1 January 2018. However, the standard has not yet been endorsed by the EU. The application of IFRS 9 will have an extensive impact on the classification and measurement of the Group's financial assets and liabilities. A considerable increase is expected in financial assets to be measured at fair value. In addition, the impairment requirements are expected to push up the amount of impairment. On the other hand, the Group expects no material effects on hedge accounting. Due to the complexity of implementing the standard, several projects have already been started.

- **Publication of IFRS 14 – Regulatory Deferral Accounts**
In January 2014, the IASB published IFRS 14. IFRS 14 permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP. The European Commission has decided not to begin the endorsement process for this standard but to wait for the final standard. The standard will have no effect on the Group.

- **Publication of IFRS 15 – Revenue from Contracts with Customers**
In May 2014, the IASB published IFRS 15. IFRS 15 specifies how and when an IFRS reporter will recognise revenue. To provide users of financial statements with more informative, relevant disclosures, the standard provides a single, principles-based five-step model to be applied to all contracts with customers. The new standard applies to financial years beginning on or after 1 January 2018. The new standard has not yet been endorsed by the EU. The Group expects no material changes, as the standard is not applicable to leases and financial instruments – and therefore not applicable to the majority of our revenue.

- **Publication of IFRS 16 – Leases**
The IASB has published the accounting standard IFRS 16 Leases. The key idea of the new standard is for lessees to recognise in general all leases and the associated contractual rights and obligations on the balance sheet. Lessees will therefore no longer have to distinguish between finance and operating leases as previously required under IAS 17. However, the new standard's requirements for lessors are similar to the previous rules of IAS 17. Leases will continue to be classified as finance leases or operating leases. The criteria of IAS 17 were retained for the classification according to IFRS 16. IFRS 16 also includes a range of additional requirements for recognition, disclosures in the notes and sale and leaseback transactions. The new regulations are mandatory for financial years beginning on or after 1 January 2019. Hypo Landesbank Vorarlberg mainly acts as a lessor. The associated changes in recognition and disclosure are being analysed.

- **Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations**
The amendment to IFRS 11 published by the IASB on 6 May 2014 governs accounting for acquisitions of interests in joint operations that constitute a business as defined by IFRS 3 Business Combinations. In such cases, the acquirer must apply the principles of accounting for business combinations as per IFRS 3. The disclosure requirements of IFRS 3 are also effective in these cases. The new standard was endorsed by the EU on 24 November 2015. The standard has no effect on the Group.

- **Amendments to IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets**
The amendment clarifies the selection of methods of depreciation and amortisation of property, plant and equipment and intangible assets. Depreciation of property, plant and equipment on the basis of revenue generated from goods produced by the entity is not appropriate. Revenue-based amortisation of intangible assets with finite useful lives is permissible only in limited circumstances. The new standard was endorsed by the EU on 2 December 2015. The standard has no effect on the Group.

- **Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants**
The IASB issued amendments to IAS 16 and IAS 41 on 30 June 2014. The amendments bring bearer plants into the scope of IAS 16. These new amendments do not affect the Group.

- **Amendments to IAS 27 – Separate Financial Statements**
The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an investor's separate financial statements. The application of the equity method in the separate financial statements (of the parent) was no longer permitted according to IAS 27 from 2005. The amendments have been adopted by the IASB and were endorsed in European law by the EU on 18 December 2015. The amendments do not affect the Group.

- **Amendments to IFRS 10 and IAS 28 – Sale or Contribution of3 Assets between an Investor and its Associate or Joint Venture**
The amendments clarify the treatment of unrealised gains or losses from transactions between an investor and its associate or joint venture. The most significant consequence of the amendments is that the investor must recognise gains or losses in full if such a transaction relates to a business. If such a transaction relates to assets that do not constitute a business, the gains or losses must be recognised in part. The clarifications were originally envisaged to apply to financial years beginning after 31 December 2015. The IASB is now proposing the indefinite deferral of this effective date. However, the possibility of early application is to be retained.

- **Annual Improvement Project 2012 – 2014 cycle**
In September 2014, the IASB published revisions to existing IAS/IFRS rules as part of its annual improvement programme. The amendments were endorsed by the EU on 17 December 2014. These amendments relate primarily to clarifications regarding IFRS 5 (changes in methods of disposal), IFRS 7 (servicing contracts), IAS 19 (discount rate: regional market issue) and IAS 34 (disclosure of information 'elsewhere in the interim financial report'). The improvements have not yet been endorsed by the EU. The Group does not expect this to result in any material changes.

- **Amendments to IAS 1 – Presentation of Financial Statements**
  The amendments proposed by the IASB on 18 December 2014 include primarily a clarification that disclosures are necessary only when their content is not immaterial. This also applies explicitly when an IFRS demands a list of minimum disclosures. The example structure for the notes is removed in order to facilitate an entity-specific structure, and it is clarified that entities are free to explain accounting policies at any point in the notes. The amendments were endorsed by the EU on 18 December 2015. This will affect the Group's report.

- **Amendment to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception**
  The IASB issued amendments regarding the consolidation of investment entities on 18 December 2014. The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.

B. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

(5) NET INTEREST INCOME

in '000 EUR	2015	2014
Income from cash and balances with central banks	–103	72
Income from loans and advances to banks	1,037	2,457
Income from loans and advances to customers	163,937	171,726
Income from leasing business	24,955	26,264
Income from hedging instruments	20,042	14,168
Income from derivatives, other	11,669	11,848
Income from debt securities	57,183	63,539
Income from shares	1,473	2,633
Income from investments, other	998	1,199
Interest and similar income	**281,191**	**293,906**
Expenses from amounts owed to banks	–1,976	–1,927
Expenses from amounts owed to customers	–20,240	–25,506
Expenses from liabilities evidenced by certificates	–27,589	–22,702
Expenses from hedging instruments	–38,742	–35,816
Expenses from derivatives, other	–11,530	–12,563
Expenses from liabilities designated AFV	8,183	–11,855
Expenses from supplementary capital	–5,836	–6,123
Interest and similar expenses	**–97,730**	**–116,492**
Net interest income	**183,461**	**177,414**

The interest income from loans and advances to customers includes EUR 2,418,000 (2014: EUR 2,671,000) from unwinding. The interest income from receivables measured at amortised cost amounts to EUR 216,955,000 (2014: EUR 231,554,000). The interest expenses from liabilities measured at amortised cost amount to EUR –55,641,000 (2014: EUR –56,258,000).

Of which income from debt securities

in '000 EUR	2015	2014
Income from debt securities – HFT	0	2
Income from debt securities – AFV	8,930	10,952
Income from debt securities – AFS	21,587	22,013
Income from debt securities – HTM	26,666	30,572
Income from debt securities	**57,183**	**63,539**

Of which income from shares

in '000 EUR	2015	2014
Income from shares – HFT	6	9
Income from shares – AFV	343	231
Income from shares – AFS	661	1,930
Income from shares – HTM	463	463
Income from shares	**1,473**	**2,633**

Interest from supplementary capital is recorded under interest income from shares – held to maturity.

(6) LOAN LOSS PROVISIONS

in '000 EUR	2015	2014
Additions to valuation allowances	–59,655	–71,115
Reversals of valuation allowances	23,154	25,248
Direct write-downs of loans and advances	–2,958	–1,619
Income from amounts received on loans and advances already written down	1,930	3,034
Additions to provisions	–8,093	–40,430
Reversals of provisions	22,807	3,187
Loan loss provisions	**–22,815**	**–81,695**

In 2015, the loss from the direct write-down and the utilisation of recognised loan loss provisions was EUR 41,310,000 (2014: EUR 36,717,000). There were no indications of further impairment as of the date these consolidated financial statements were prepared. Reversals of provisions include EUR –18,242,000 (2014: EUR +36,000,000) for HETA, as payments to Pfandbriefbank have already been made, and a valuation allowance of EUR 20,992,000 was recognised on these (included in additions to valuation allowances). The provision for Pfandbriefbank according to Section 2 of the Austrian Pfandbriefstelle Act (PfBrStG) currently stands at EUR 17,758,000 (2014: EUR 36,000,000) and the specific valuation allowance for HETA stands at EUR 20,992,000 (2014: EUR 0). More detailed disclosures are given under Note (75).

(7) NET FEE AND COMMISSION INCOME

in '000 EUR	2015	2014
Lending and leasing business	4,352	4,121
Securities business	18,524	17,877
Giro and payment transactions	12,730	13,100
Other service business	4,768	4,729
Fee and commission income	**40,374**	**39,827**

in '000 EUR	2015	2014
Lending and leasing business	–930	–935
Securities business	–1,315	–1,454
Giro and payment transactions	–1,534	–1,766
Other service business	–29	–48
Fee and commission expenses	**–3,808**	**–4,203**

Fee and commission income from financial assets or liabilities not classified as at fair value through profit or loss amounts to EUR 9,138,000 (2014: EUR 8,886,000). Fee and commission expenses from financial assets or liabilities not classified as at fair value through profit or loss amounts to EUR –457,000 (2014: EUR –467,000). Fee and commission income from fiduciary activities amounts to EUR 1,346,000 (2014: EUR 1,331,000).

(8) NET RESULT ON HEDGE ACCOUNTING

in '000 EUR	2015	2014
Adjustment to loans and advances to banks	–2,291	9,661
Adjustment to loans and advances to customers	–5,507	21,121
Adjustment to financial instruments available for sale	–9,163	17,998
Adjustment to financial instruments with banks	29	–198
Adjustment to liabilities to customers	5,279	–19,760
Adjustment to securitised liabilities	3,021	–57,150
Adjustment to supplementary capital	708	–9,387
Net result from adjustment to underlying transactions from hedging	**–7,924**	**–37,715**
Measurement of hedging instruments for loans and advances to banks	3,838	–10,909
Measurement of hedging instruments for loans and advances to customers	6,887	–21,425
Measurement of hedging instruments for available for sale financial instruments	10,214	–18,834
Measurement of hedging instruments for liabilities to banks	–35	200
Measurement of hedging instruments for liabilities to customers	–6,036	20,377
Measurement of hedging instruments for securitised liabilities	–5,143	57,861
Measurement of hedging instruments for supplementary capital	–932	11,091
Net result of the measurement of hedging instruments	**8,793**	**38,361**
Net result on hedge accounting	**869**	**646**

(9) NET TRADING RESULT

in '000 EUR	2015	2014
Trading result	20,316	–1,552
Result from the valuation of financial instruments – HFT	–16	77
Result from the valuation of derivatives	–115,885	14,660
Result from the valuation of financial instruments – AFV*	96,605	17,459
Net trading result	**1,020**	**30,644**

*) Not including change in own credit risk

Of which trading result

in '000 EUR	2015	2014
Currency-based transactions	5,864	–1,077
Interest-based transactions	14,452	–479
Result from consolidation of liabilities	0	4
Trading result	**20,316**	**–1,552**

Currency-related transactions include translation differences from assets and liabilities in foreign currencies. In 2015, the translation difference amounted to EUR 6,162,000 (2014: EUR –3,200,000).

Of which result from the valuation of financial instruments HFT

in '000 EUR	2015	2014
HFT – realised gains	0	14
HFT – realised losses	0	–2
HFT – appreciation in value	26	93
HFT – depreciation/amortisation	–42	–28
Result from the valuation of financial instruments – HFT	**–16**	**77**

Of which result from the valuation of derivatives

in '000 EUR	2015	2014
Interest rate swaps	–102,731	25,949
Cross-currency swaps	–11,489	–17,718
Interest rate options	–634	280
Credit default swaps	–18	–7
Securities options	49	–49
Currency options	0	1
Foreign exchange forwards	–99	85
Currency swaps	–963	6,119
Result from the valuation of derivatives	**–115,885**	**14,660**

There is no intention to trade with these derivatives. They are used to hedge long-term underlying transactions, even if no hedge accounting is presented according to which the underlying transactions are mainly subject to the fair value option.

Of which result from the valuation of financial instruments at fair value

in '000 EUR	2015	2014
Realised gains on assets AFV	0	940
Realised gains on liabilities LAFV	21,998	10,195
Realised losses on assets AFV	–958	–10,251
Realised losses on liabilities LAFV	–17	–413
Impairment reversals on assets AFV	4,783	56,704
Impairment reversals on liabilities LAFV	137,367	64,134
Impairments on assets AFV	–57,693	–8,160
Impairments on liabilities LAFV	–8,875	–95,690
Result from the valuation of financial instruments – AFV	**96,605**	**17,459**

In the 2015 reporting year, there was no new hedging of credit risk using credit derivatives or similar instruments. In 2014, a credit default swap was concluded that hedges items of the proprietary securities portfolio.

(10) NET RESULT FROM OTHER FINANCIAL INSTRUMENTS

in '000 EUR	2015	2014
Realised gains on sales of financial instruments	20,226	2,352
Realised losses on sales of financial instruments	–645	–1,045
Impairment reversals on financial instruments	8,348	2,900
Impairments on financial instruments	–12,358	–3,146
Net result from other financial instruments	**15,571**	**1,061**

Due to disposals of available-for-sale assets, EUR –8,044,000 (2014: EUR –23,000 was reversed from the reserve via the income statement in the reporting year. The reclassification is included in the following table under AFS – realised gains and AFS – realised losses.

Net result from other financial instruments by measurement classification

in '000 EUR	2015	2014
AFS – realised gains	732	165
AFS – realised losses	–238	–268
AFS – impairment reversals	6,859	628
AFS – impairments	–1,331	–285
Result from financial assets AFS	**6,022**	**240**
HTM – realised gains	229	177
HTM – realised losses	–172	–749
HTM – impairment reversals	404	703
HTM – impairments	–97	–256
Result from financial assets HTM	**364**	**–125**
L&R – realised gains	4,773	1,399
L&R – realised losses	–197	–23
L&R – impairment reversals	1,015	1,562
L&R – impairments	–10,607	–2,143
Result from financial assets L&R	**–5,016**	**795**
LAC – realised gains	14,492	611
LAC – realised losses	–38	–5
LAC – impairment reversals	70	7
LAC – impairments	–323	–462
Result from liabilities LAC	**14,201**	**151**
Net result from other financial instruments	**15,571**	**1,061**

(11) ADMINISTRATIVE EXPENSES

Group administrative expenses consist of staff costs, material expenses and impairment on property, plant and equipment and intangible assets.

in '000 EUR	2015	2014
Staff costs	–58,271	–56,956
Materials expenses	–29,759	–30,763
Depreciation/amortisation of property, plant and equipment and intangible assets	–4,432	–4,382
Administrative expenses	**–92,462**	**–92,101**

Of which staff costs

in '000 EUR	2015	2014
Wages and salaries	–43,514	–42,332
Statutory social security contributions	–11,205	–10,884
Voluntary social benefits	–750	–802
Expenses for retirement benefits	–2,066	–1,738
Social capital	–736	–1,200
Staff costs	**–58,271**	**–56,956**

Expenses for pensions and other benefits include payments for defined contribution plans as part of an employee benefit fund and pension fund contributions of EUR 1,206,000 (2014: EUR 1,131,000).

Of which material expenses

in '000 EUR	2015	2014
Building expenses	–5,588	–4,971
IT expenses	–9,149	–11,299
Advertising and PR expenses	–4,551	–4,316
Legal and advisory expenses	–1,867	–1,883
Communications expenses	–1,289	–1,218
Organisational form-related expenses	–2,392	–2,111
Staff development expenses	–1,001	–1,073
Other materials expenses	–3,922	–3,892
Materials expenses	**–29,759**	**–30,763**

Building expenses include rental payments for rented and leased assets. Minimum rental expenses of EUR 1,404,000 (2015: EUR 1,547,000) are expected for 2016 and EUR 7,238,000 (2015: EUR 7,159,000) for the next five years.

Minimum lease payments from non-terminable operating leases

TEUR	2015	2014
Up to 1 year	–1,103	–1,079
More than 1 year to 5 years	–3,146	–2,865
More than 5 years	–5,187	–4,404
Minimum lease payments from non-terminable operating leases (lessee)	**–9,436**	**–8,348**

Of which depreciation/amortisation of property, plant and equipment and intangible assets

in '000 EUR	2015	2014
Depreciation of property, plant and equipment	–3,737	–3,727
Amortisation of intangible assets	–695	–655
Depreciation/amortisation of property, plant and equipment and intangible assets	**–4,432**	**–4,382**

(12) OTHER INCOME

in '000 EUR	2015	2014
Income from operating leases	4,437	4,175
Income from the disposal of assets	2,778	4,390
Other revenue from leasing business	1,818	1,747
Operating cost income	2,329	2,160
Merchandise revenues	1,744	1,316
Revenues from consultancy and other services	418	507
Miscellaneous other income	3,985	2,309
Other income	**17,509**	**16,604**

Income from operating leases constitutes rental income from let properties. The minimum lease income from non-terminable operating leases for future periods are shown in the table below.

Minimum lease payments from non-terminable operating leases

in '000 EUR	2015	2014
Up to 1 year	3,426	3,389
More than 1 year to 5 years	8,572	8,184
More than 5 years	7,390	8,382
Minimum lease payments from non-terminable operating leases (lessor)	**19,388**	**19,955**

(13) OTHER PAYMENTS

in '000 EUR	2015	2014
Depreciation/amortisation investment properties	–1,343	–2,642
Impairment investment properties	–270	–300
Depreciation/amortisation other assets	–2,956	–1,750
Impairment other assets	–330	–295
Disposals of remaining carrying amounts	–71	–1
Losses on the disposal of assets	–3,359	–2,463
Other expenses from leasing business	–2,880	–2,731
Operating cost expenses	–3,118	–2,387
Cost of merchandise	–1,706	–1,296
Other tax expenses	–13,551	–12,924
Expenses resulting from losses	–3,629	–2,349
Miscellaneous other expenses	–4,768	–4,453
Other expenses	**–37,981**	**–33,591**

Other tax expenses include the stability fee of EUR 13,047,000 (2014: EUR 12,567,000).

(14) TAXES ON INCOME

in '000 EUR	2015	2014
Current income taxes	–29,277	–10,274
Deferred income taxes	971	–2,414
Income taxes from previous periods	144	–38
Taxes on income	**–28,162**	**–12,726**

Reconciliation of the tax rate (25 %) with taxes on income

in '000 EUR	2015	2014
Earnings before taxes	121,146	53,979
Applicable tax rate	25%	25%
Income tax computed	**–30,287**	**–13,495**
Tax effects		
from tax-exempt investment income	2,573	2,728
from other tax-exempt income	23	19
from previous years and tax rate changes	32	–228
from differing international tax rates	698	3
from other non-deductible expenses	–1,794	–2,101
from other differences	593	348
Taxes on income	**–28,162**	**–12,726**

Due to the measurement of financial assets classified as available for sale outside profit or loss, deferred taxes were allocated directly to other comprehensive income and thus likewise recognised outside profit or loss. As of 31 December 2015, these deferred taxes amounted to EUR 3,173,000 (tax liability) (2014: EUR 5,350,000 tax liability).

C. NOTES TO THE BALANCE SHEET

(15) CASH AND BALANCES WITH CENTRAL BANKS

in '000 EUR	31.12.2015	31.12.2014
Cash on hand	28,814	29,031
Balances with central banks	683,728	441,667
Deferred interest	–51	1
Cash and balances with central banks	**712,491**	**470,699**

Balances at central banks of EUR 46,482,000 (2014: EUR 45,528,000) are dedicated to the minimum reserve according to the ECB regulation. According to the OeNB's definition, the minimum reserve represents a working balance for ongoing payment transactions. For this reason, the minimum reserve meets the definition of cash and cash equivalents and is therefore reported under cash and balances with central banks.

(16) LOANS AND ADVANCES TO BANKS (L&R)

Loans and advances to banks – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Interbank accounts	135,049	124,014
Money market investments	1,525	58,660
Loans to banks	11,680	27,828
Bonds	486,483	666,635
Other loans and advances	15,392	6,203
Loans and advances to banks	**650,129**	**883,340**

In loans and advances to banks, the use of hedge accounting led to amortised costs of EUR 212,058,000 (2014: EUR 216,268,000) being adjusted by the hedged fair value of EUR 13,970,000 (2014: EUR 16,261,000).

Loans and advances to banks – breakdown by region

in '000 EUR	31.12.2015	31.12.2014
Austria	307,035	452,803
Germany	117,808	129,473
Switzerland and Liechtenstein	64,301	41,099
Italy	764	1,598
Other foreign countries	160,221	258,367
Loans and advances to banks	**650,129**	**883,340**

Valuation allowances included – by type

in '000 EUR	31.12.2015	31.12.2014
Portfolio valuation allowances	–198	–258
Loan loss provisions for loans and advances to banks	**–198**	**–258**

(17) LOANS AND ADVANCES TO CUSTOMERS (L&R)

Loans and advances to customers – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Cash advances	308,174	355,791
Overdraft lines	791,846	699,852
Acceptance credits	13,885	13,835
Municipal cover loans	708,052	726,273
Mortgage bond cover	2,674,953	2,353,626
Lombard loans	115,931	81,725
Other loans	2,861,682	3,060,940
Lease receivables (net investment in a lease)	1,236,325	1,287,887
Bonds	350,334	374,373
Other loans and advances	176	110
Loans and advances to customers	**9,061,358**	**8,954,412**

In loans and advances to customers, the use of hedge accounting led to amortised costs of EUR 711,007,000 (2014: EUR 571,924,000) being adjusted by the hedged fair value of EUR 45,460,000 (2014: EUR 50,969,000).

Loans and advances to customers – breakdown by region

in '000 EUR	31.12.2015	31.12.2014
Austria	5,874,706	5,756,505
Germany	1,100,850	1,110,155
Switzerland and Liechtenstein	676,600	608,252
Italy	961,440	1,006,514
Other foreign countries	447,762	472,986
Loans and advances to customers	**9,061,358**	**8,954,412**

Loans and advances to customers – breakdown by segment

in '000 EUR	31.12.2015	31.12.2014
Corporate Customers	5,282,178	5,240,673
Private Customers	1,887,495	1,774,556
Financial Markets	561,497	614,834
Corporate Center	1,330,188	1,324,349
Loans and advances to customers	**9,061,358**	**8,954,412**

Loans and advances to customers – breakdown by industry

in '000 EUR	31.12.2015	31.12.2014
Public sector	753,380	629,624
Financial intermediaries	160,916	245,147
Commerce	1,300,700	1,081,916
Industry	641,661	781,297
Trading	557,895	635,115
Tourism	496,366	443,405
Real estate	1,482,299	1,497,325
Other industries	1,461,702	1,540,340
Liberal professionals	200,754	203,594
Private households	2,002,065	1,889,581
Other	3,620	7,068
Loans and advances to customers	**9,061,358**	**8,954,412**

Gross and net investment in leases

The Group mainly leases real estate and to a lesser extent movables under finance leases. For the receivables from finance leases included in this item, gross investment is reconciled with the present value of the minimum lease payments as follows.

in '000 EUR	31.12.2015	31.12.2014
Minimum lease payments	1,475,422	1,565,722
Non-guaranteed residual values	0	0
Gross total investment	**1,475,422**	**1,565,722**
Unrealised financial income	–239,097	–277,835
Net investment	**1,236,325**	**1,287,887**
Present value of non-guaranteed residual values	0	0
Present value of minimum lease payments	**1,236,325**	**1,287,887**

The cumulative valuation allowance on finance leases amounts to EUR 29,952,000 (2014: EUR 39,168,000).

Leases – breakdown by maturity

in '000 EUR	31.12.2015	31.12.2014
Gross total investment	**1,475,422**	**1,565,722**
of which up to 1 year	208,121	230,979
of which 1 to 5 years	503,866	497,003
of which more than 5 years	763,435	837,740
Present value of minimum lease payments	**1,236,325**	**1,287,887**
of which up to 1 year	171,956	190,070
of which 1 to 5 years	396,001	374,235
of which more than 5 years	668,368	723,582

Included valuation allowances by type

in '000 EUR	31.12.2015	31.12.2014
Specific valuation allowances	–152,248	–153,259
Portfolio valuation allowances	–15,713	–15,674
Allowance for losses on loans and advances to customers	**–167,961**	**–168,933**

Loan loss provisions – breakdown by segment

in '000 EUR	31.12.2015	31.12.2014
Corporate Customers	–86,242	–99,930
Private Customers	–14,936	–17,612
Financial Markets	–15,542	–12,197
Corporate Center	–51,241	–39,194
Loan loss provisions for loans and advances to customers	**–167,961**	**–168,933**

Changes in the individual valuation allowances included

in '000 EUR	2015	2014
Balance 1 January	**–153,259**	**–144,060**
Currency differences	–1,694	–217
Reclassification	876	729
Utilisation	38,339	35,090
Reversal	21,833	24,612
Additions	–58,343	–69,413
Balance 31 December	**–152,248**	**–153,259**

Changes in the portfolio valuation allowances included

in '000 EUR	2015	2014
Balance 1 January	**–15,674**	**–13,762**
Currency differences	0	0
Reclassification	0	–971
Utilisation	13	8
Reversal	1,320	636
Additions	–1,372	–1,585
Balance 31 December	**–15,713**	**–15,674**

Changes in the other valuation allowances included

in '000 EUR	2015	2014
Balance 1 January	**0**	**–971**
Currency differences	0	0
Reclassification	0	971
Utilisation	0	0
Reversal	0	0
Additions	0	0
Balance 31 December	**0**	**0**

Total changes of valuation allowances

in '000 EUR	2015	2014
Balance 1 January	**–168,933**	**–158,793**
Currency differences	–1,694	–217
Reclassification	876	729
Utilisation	38,352	35,098
Reversal	23,153	25,248
Additions	–59,715	–70,998
Balance 31 December	**–167,961**	**–168,933**

(18) POSITIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

in '000 EUR	31.12.2015	31.12.2014
Positive market value of fair value hedges	63,451	65,399
Deferred interest on derivative hedges	12,919	10,717
Positive market values of hedges	**76,370**	**76,116**

Nominal values from fair value hedges – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Interest rate swaps	3,156,938	2,555,846
Cross currency swaps	186,797	119,343
Interest rate derivatives	**3,343,735**	**2,675,189**
Derivatives	**3,343,735**	**2,675,189**

Positive market values of fair value hedges – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Interest rate swaps	61,800	63,823
Cross currency swaps	1,651	1,576
Interest rate derivatives	**63,451**	**65,399**
Derivatives	**63,451**	**65,399**

Negative market values of fair value hedges – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Interest rate swaps	111,010	111,459
Cross currency swaps	34,965	32,397
Interest rate derivatives	**145,975**	**143,856**
Derivatives	**145,975**	**143,856**

The Group did not enter into any cash flow hedge positions in the reporting year or the previous year

(19) TRADING ASSETS AND DERIVATIVES

Trading assets and derivatives – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Investment certificates	675	686
Positive market values of derivative financial instruments	413,945	539,795
Deferred interest	47,021	55,179
Trading assets and derivatives	**461,641**	**595,660**

Trading assets and derivatives – breakdown by region

in '000 EUR	31.12.2015	31.12.2014
Austria	41,827	56,226
Germany	179,804	233,955
Switzerland and Liechtenstein	516	1,481
Other foreign countries	239,494	303,998
Trading assets and derivatives	**461,641**	**595,660**

Nominal values from derivatives – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Interest rate swaps	4,917,355	5,821,263
Cross currency swaps	1,348,834	1,110,141
Interest rate options	380,999	408,990
Interest rate derivatives	**6,647,188**	**7,340,394**
FX forward transactions	361,003	739,757
FX swaps	182,800	453,648
FX options	0	1,718
Currency derivatives	**543,803**	**1,195,123**
Options on top-quality securities	0	28,520
Derivatives on top-quality securities	**0**	**28,520**
Credit default swaps	15,000	15,000
Credit derivatives	**15,000**	**15,000**
Derivatives	**7,205,991**	**8,579,037**

Positive market values from derivatives – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Interest rate swaps	290,249	441,628
Cross currency swaps	114,036	81,809
Interest rate options	2,723	3,930
Interest rate derivatives	**407,008**	**527,367**
FX forward transactions	6,410	10,240
FX swaps	527	1,664
FX options	0	55
Currency derivatives	**6,937**	**11,959**
Options on top-quality securities	0	469
Derivatives on top-quality securities	**0**	**469**
Credit default swaps	0	0
Credit derivatives	**0**	**0**
Derivatives	**413,945**	**539,795**

Negative market values from derivatives – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Interest rate swaps	142,854	190,913
Cross currency swaps	82,230	51,364
Interest rate options	2,088	2,661
Interest rate derivatives	**227,172**	**244,938**
FX forward transactions	5,971	9,701
FX swaps	355	529
FX options	0	55
Currency derivatives	**6,326**	**10,285**
Options on top-quality securities	0	0
Derivatives on top-quality securities	**0**	**0**
Credit default swaps	211	240
Credit derivatives	**211**	**240**
Derivatives	**233,709**	**255,463**

In 2015, we hold one (2014: one) credit derivative to hedge credit risk from financial assets, which is voluntarily designated at fair value.

(20) FINANCIAL ASSETS DESIGNATED AT FAIR VALUE (AFV)

Financial assets designated at fair value – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Debt securities of public issuers	223,960	284,269
Debt securities of other issuers	202,507	267,426
Investment certificates	0	6,055
Other equity interests	5,191	5,409
Loans and advances to customers	499,156	552,301
Deferred interest	7,200	7,932
Financial assets – at fair value	**938,014**	**1,123,392**

Disclosures on changes in fair value

in '000 EUR	2015	2014
Credit exposure	**938,014**	**1,123,392**
Collateral	419,378	509,244
Total change in market value	**113,568**	**154,479**
of which due to market risk	130,092	152,274
of which due to credit risk	–16,524	2,205
Change in market value in the reporting period	**–40,910**	**38,310**
of which due to market risk	–22,181	32,229
of which due to credit risk	–18,729	6,081

The change in fair value due to credit risk is determined using a model in which the change in fair value due to market risk is deducted from the total change in fair value. The disposal from "financial instruments – at fair value" resulted in a realised gain of EUR 5,304,000 (2014: EUR –32,106,000).

Financial assets designated at fair value – breakdown by region

in '000 EUR	31.12.2015	31.12.2014
Austria	570.004	650.981
Germany	103.811	126.098
Switzerland and Liechtenstein	40.918	44.907
Italy	12.189	12.107
Other foreign countries	211.092	289.299
Financial assets – at fair value	**938.014**	**1.123.392**

Financial assets designated at fair value – breakdown by industry

in '000 EUR	31.12.2015	31.12.2014
Public sector	591,390	696,435
Financial institutions	123,886	166,915
Financial intermediaries	69,035	79,307
Commerce	11,144	14,995
Industry	49,907	65,693
Trading	25,666	34,879
Real estate	14,312	16,328
Other industries	27,529	21,981
Liberal professionals	660	682
Private households	24,485	26,177
Financial assets – at fair value	**938,014**	**1,123,392**

(21) FINANCIAL ASSETS AVAILABLE FOR SALE (AFS)

Financial assets available for sale – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Debt securities of public issuers	314,629	295,324
Debt securities of other issuers	383,679	364,499
Shares	110	110
Investment certificates	5,921	18,714
Other equity interests	17,764	19,389
Deferred interest	12,506	12,358
Other equity investments	10,789	10,727
Other investments in affiliated companies	28	28
Financial assets – available for sale	**745,426**	**721,149**

Financial assets available for sale – breakdown by region

in '000 EUR	31.12.2015	31.12.2014
Austria	363,038	361,478
Germany	33,850	39,677
Switzerland and Liechtenstein	36,859	4,988
Italy	9,488	19,787
Other foreign countries	302,191	295,219
Financial assets – available for sale	**745,426**	**721,149**

Financial assets available for sale – breakdown by industry

in '000 EUR	31.12.2015	31.12.2014
Public sector	332,247	308,214
Financial institutions	317,854	287,021
Financial intermediaries	44,756	37,032
Commerce	15	11,820
Industry	17,110	34,399
Tourism	625	625
Real estate	201	201
Other industries	32,618	41,837
Financial assets – available for sale	**745,426**	**721,149**

"Financial assets – available for sale" includes other investments and shares in associates with a carrying amount of EUR 10,817,000 (2014: EUR 10,755,000). No fair value was carried on the balance sheet for these assets. It is not possible to reliably determine the fair value of these financial instruments, as they are not traded on an active market, no similar investments were observable on the market, and internal models do not allow a reliable measurement. These assets relate to strategic investments by the Group. There is therefore no intention to sell them. None of the investments not measured at fair value were sold in 2015.

The movements in the available-for-sale remeasurement reserve were recognised outside of profit or loss and thus in other comprehensive income. As of 31 December 2015, this amounted to EUR 41,861,000 (2012: EUR 55,557,000). In the measurement of available-for-sale assets, deferred taxes were deducted directly from other comprehensive income. Due to disposals of available-for-sale assets, EUR –8,044,000 (2014: EUR –23,000) was reversed from the reserve in the income statement in the reporting year. Impairments on these assets were recognised through profit or loss under net result from other financial instruments in Note (10) and amounted to EUR 1,331,000 in 2015 (2014: EUR 285,000).

Due to the application of hedge accounting, the changes in market value of EUR 32,343,000 (2014: EUR –39,216,000) recognised in other comprehensive income were reduced by the effective hedged fair value change and recognised through profit or loss in the income statement under net result on hedge accounting.

(22) FINANCIAL ASSETS HELD TO MATURITY (HTM)

Financial assets held to maturity – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Debt securities of public issuers	301,780	327,672
Debt securities of other issuers	658,237	757,513
Supplementary capital of other issuers	9,994	9,985
Deferred interest	17,674	19,163
Financial assets – held to maturity	**987,685**	**1,114,333**

In 2015, a valuation allowance of EUR 97,000 (2014: EUR 256,000) was recognised in the net result from other financial instruments. The portfolio valuation allowance reduced assets by EUR 190,000 in the 2015 financial year (2014: EUR 230,000).

Financial assets held to maturity – breakdown by region

in '000 EUR	31.12.2015	31.12.2014
Austria	222,204	214,742
Germany	74,712	108,334
Switzerland and Liechtenstein	0	5,001
Italy	5,173	5,174
Other foreign countries	685,596	781,082
Financial assets – held to maturity	**987,685**	**1,114,333**

Financial assets held to maturity – breakdown by industry

in '000 EUR	31.12.2015	31.12.2014
Public sector	307,801	334,531
Financial institutions	618,392	686,795
Financial intermediaries	19,440	41,281
Commerce	8,170	8,165
Industry	5,173	5,174
Other industries	28,709	38,387
Financial assets – held to maturity	**987,685**	**1,114,333**

(23) SHARES IN COMPANIES VALUED AT EQUITY

Change in shares in companies measured at equity

in '000 EUR	2015	2014
Carrying value of holding 1 January	34,593	36,449
Attributable profit/loss	1,172	–328
Dividends	–1,211	–1,528
Carrying value of holding 31 December	**34,554**	**34,593**

The difference between the carrying amount of investments and the pro rata equity of associates included in the consolidated financial statements using the equity method is EUR 12,812,000 (2014: EUR 12,850,000). This difference was added to the value of the investments and to retained earnings. The gains and losses from these companies were recognised only on a pro rata basis through profit or loss in the income statement under the result from equity consolidation. These gains and losses amounted to EUR 1,172,000 in 2015 (2014: EUR –328,000). Further information on companies measured at equity is provided under Part VII.

(24) INVESTMENT PROPERTY

in '000 EUR	31.12.2015	31.12.2014
Land portion	7,844	11,272
Buildings portion	35,674	49,054
Investment property	**43,518**	**60,326**

In 2015, the property portfolio comprised 44 (2014: 62) properties in Austria, Switzerland, Germany and Italy. The portfolio includes both residential properties with a carrying amount of EUR 5,957,000 (2014: EUR 6,288,000) and commercial properties with a carrying amount of EUR 37,562,000 (2014: EUR 54,038,000). The current market value of our property portfolio is EUR 51,886,000 (2014: EUR 70,216,000).

The properties are valued according to the key parameters shown below on the basis of internal appraisals. They therefore correspond to Level 3 in the fair value hierarchy.

Key parameters for real estate appraisal	2015	2014
Return in %	3.5 – 7.5	4 – 8
Inflation rate in %	2	2.5
Rental loss risk in %	1.5 – 8	1.5 – 8

There are no material restrictions on the disposal of these assets. Likewise, there are no contractual obligations to purchase, build or develop such properties. The development of investment property is shown in Note (30). The rental payments reported for investment property are shown in Note (12).

(25) INTANGIBLE ASSETS

Intangible assets – breakdown by type

in '000 EUR	31.12.2015	31.12.2014
Software acquired	784	1,234
Other intangible assets	52	52
Intangible assets	**836**	**1,286**

The development of intangible assets is shown in Note (30).

(26) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment – breakdown by type

in '000 EUR	31.12.2015	31.12.2014
Land without buildings	966	1,192
Land with buildings	10,403	10,223
Buildings	59,158	56,736
Operational and office equipment	5,190	4,774
Leased movables	362	373
Construction in progress	76	755
Property, plant and equipment	**76,155**	**74,053**

The gross carrying amount of fully depreciated property, plant and equipment that is still in use is EUR 9,575,000 (2014: EUR 8,975,000). The development of property, plant and equipment is shown in Note (30).

(27) DEFERRED TAX ASSETS

In the table below, the deferred tax liabilities that on balance represent an asset in the respective tax entity are deducted from the tax assets.

in '000 EUR	31.12.2015	31.12.2014
Temporary differences from writing-down assets	2,639	2,353
Temporary differences from provisions	441	150
Temporary differences from social capital	4,682	4,687
Temporary differences from impairments	9,940	9,032
Other temporary differences	1,855	1,000
From tax loss carryforwards	146	256
Deferred tax assets	**19,703**	**17,478**
Set-off of deferred taxes	–9,355	–8,790
Net deferred tax assets	**10,348**	**8,688**

Within the Group, there are loss carryforwards that have not yet been applied but that have been capitalised in the amount of EUR 381,000 (2014: EUR 725,000). In addition, there are tax loss carryforwards of EUR 67,000 (2014: EUR 155,000) that have not been capitalised in the Group. The non-capitalised loss carryforwards in the Group can be carried forward indefinitely. A breakdown of total deferred tax assets by maturity is shown in Note (44).

(28) NON-CURRENT ASSETS AVAILABLE FOR SALE

in '000 EUR	31.12.2015	31.12.2014
Available for sale real estate	12,223	0
Non-current assets available for sale	**12,223**	**0**

In the current year, an office building with a carrying amount of EUR 12,223,000 was reclassified from investment property to non-current assets available for sale. The assets have a market value of EUR 16,100,000 determined using an internal measurement model. They therefore correspond to Level 3. Non current assets available for sale and the income and expenses resulting therefrom were recognised in the Corporate Centre segment.

(29) OTHER ASSETS

in '000 EUR	31.12.2015	31.12.2014
Other properties	50,299	38,845
Trade receivables	456	485
Cheque receivables	17	0
Other tax assets	7,385	525
Deferred receivables	420	372
Other assets	29,500	23,628
Other assets	**88,077**	**63,855**

Prepaid expenses and any assets not attributable to one of the other asset items are reported under other assets. This item also includes properties that are not property, plant and equipment according to IAS 16, investment property according to IAS 40, or non-current assets available for sale according to IFRS 5. These properties are closely associated with the realisation of collateral from the lending business. A breakdown by maturity is shown in Note (44). Impairments on other properties are recognised under other expenses in Note (13) and amounted to EUR 330,000 in 2015 (2014: EUR 295,000).

(30) STATEMENT OF CHANGES IN ASSETS

in '000 EUR 2014	Acquisition cost 01.01.	Currency translation	Acquisitions	Additions	Disposals	Reclassifications	Acquisition cost 31.12.	Carrying amounts 31.12.
Software acquired	7,293	33	0	256	–8	0	7,574	1,234
Other intangible assets	128	0	0	51	0	0	179	52
Intangible assets	**7,421**	**33**	**0**	**307**	**–8**	**0**	**7,753**	**1,286**
Owner-occupied land and buildings	94,066	167	0	1,150	–121	49	95,311	66,959
Operational and office equipment	13,972	14	0	1,797	–1,146	0	14,637	4,774
Other property, plant and equipment	2,560	–1	0	430	–320	–49	2,620	2,320
Property, plant and equipment	**110,598**	**180**	**0**	**3,377**	**–1,587**	**0**	**112,568**	**74,053**
Investment property	77,110	0	0	3,339	–1,255	8,480	87,674	60,326
Total	**195,129**	**213**	**0**	**7,023**	**–2,850**	**8,480**	**207,995**	**135,665**

in '000 EUR 2014	Cumulative depreciation/amortisation 01.01.	Currency translation	Acquisitions	Regular amortisation	Disposals	Reclassifications	Impairments	Cumulative depreciation/amortisation 31.12.
Software acquired	–5,677	–16	0	–655	8	0	0	–6,340
Other intangible assets	–126	–1	0	0	0	0	0	–127
Intangible assets	**–5,803**	**–17**	**0**	**–655**	**8**	**0**	**0**	**–6,467**
Owner-occupied land and buildings	–26,312	–18	0	–2,022	0	0	0	–28,352
Operational and office equipment	–9,296	–11	0	–1,689	1,133	0	0	–9,863
Other property, plant and equipment	–306	0	0	–16	22	0	0	–300
Property, plant and equipment	**–35,914**	**–29**	**0**	**–3,727**	**1,155**	**0**	**0**	**–38,515**
Investment property	–22,554	0	0	–2,642	298	–2,150	–300	–27,348
Total	**–64,271**	**–46**	**0**	**–7,024**	**1,461**	**–2,150**	**–300**	**–72,330**

in '000 EUR 2015	Acquisition cost 01.01.	Currency translation	Acquisitions	Additions	Disposals	Reclassifications	Acquisition cost 31.12.	Carrying amounts 31.12.
Software acquired	7,574	174	0	195	–97	0	7,846	784
Other intangible assets	179	0	0	0	–125	0	54	52
Intangible assets	**7,753**	**174**	**0**	**195**	**–222**	**0**	**7,900**	**836**
Owner-occupied land and buildings	95,311	895	0	3,478	–120	526	100,090	69,561
Operational and office equipment	14,637	72	0	2,001	–1,022	3	15,691	5,190
Other property, plant and equipment	2,620	0	0	139	–403	–673	1,683	1,404
Property, plant and equipment	**112,568**	**967**	**0**	**5,618**	**–1,545**	**–144**	**117,464**	**76,155**
Investment property	87,674	0	0	3,301	–875	–32,585	57,515	43,518
Total	**207,995**	**1,141**	**0**	**9,114**	**–2,642**	**–32,729**	**182,879**	**120,509**

in '000 EUR 2015	Cumulative depreciation/amortisation 01.01.	Currency translation	Acquisitions	Regular amortisation	Disposals	Reclassifications	Impairments	Cumulative depreciation/amortisation 31.12.
Software acquired	–6,340	–104	0	–695	77	0	0	–7,062
Other intangible assets	–127	0	0	0	125	0	0	–2
Intangible assets	**–6,467**	**–104**	**0**	**–695**	**202**	**0**	**0**	**–7,064**
Owner-occupied land and buildings	–28,352	–122	0	–2,197	117	25	0	–30,529
Operational and office equipment	–9,863	–59	0	–1,523	944	0	0	–10,501
Other property, plant and equipment	–300	0	0	–17	38	0	0	–279
Property, plant and equipment	**–38,515**	**–181**	**0**	**–3,737**	**1,099**	**25**	**0**	**–41,309**
Investment property	–27,348	0	0	–1,343	222	14,742	–270	–13,997
Total	**–72,330**	**–285**	**0**	**–5,775**	**1,523**	**14,767**	**–270**	**–62,370**

(31) AMOUNTS OWED TO BANKS (LAC)

In liabilities to banks, the use of hedge accounting led to amortised costs of EUR 7,000,000 (2014: EUR 5,000,000) being adjusted by the hedged fair value of EUR 169,000 (2014: EUR 198,000).

Amounts owed to banks – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Interbank accounts	332,789	407,026
Money market borrowing	498,618	49,575
Loans from banks	313,080	570,321
Other liabilities	0	6
Amounts owed to banks	**1,144,487**	**1,026,928**

Amounts owed to banks – breakdown by region

in '000 EUR	31.12.2015	31.12.2014
Austria	701,976	648,916
Germany	282,125	149,354
Switzerland and Liechtenstein	42,547	53,797
Other foreign countries	117,839	174,861
Amounts owed to customers	**1,144,487**	**1,026,928**

(32) AMOUNTS OWED TO CUSTOMERS (LAC)

In liabilities to customers, the use of hedge accounting led to amortised costs of EUR 197,000,000 (2014: EUR 137,000,000) being adjusted by the hedged fair value of EUR 13,602,000 (2014: EUR 18,881,000).

Amounts owed to customers – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Demand deposits	2,932,407	3,028,026
Time deposits	878,684	403,330
Savings deposits	673,846	715,157
Special-interest savings books	510,881	516,284
Amounts owed to customers	**4,995,818**	**4,662,797**

Amounts owed to customers – breakdown by region

in '000 EUR	31.12.2015	31.12.2014
Austria	3,825,835	3,514,784
Germany	520,915	565,834
Switzerland and Liechtenstein	280,697	254,584
Italy	6,497	4,217
Other foreign countries	361,874	323,378
Amounts owed to customers	**4,995,818**	**4,662,797**

Amounts owed to customers – breakdown by segment

in '000 EUR	31.12.2015	31.12.2014
Corporate Customers	1,856,818	1,782,755
Private Customers	2,295,835	2,176,329
Financial Markets	656,683	490,494
Corporate Center	186,482	213,219
Amounts owed to customers	**4,995,818**	**4,662,797**

Amounts owed to customers – breakdown by industry

in '000 EUR	31.12.2015	31.12.2014
Public sector	636,143	528,999
Financial intermediaries	778,892	718,277
Commerce	516,807	473,640
Industry	426,836	217,221
Trading	221,181	211,234
Tourism	30,852	42,181
Real estate	72,440	82,878
Other industries	300,578	402,417
Liberal professionals	155,080	125,314
Private households	1,850,357	1,829,371
Other	6,652	31,265
Amounts owed to customers	**4,995,818**	**4,662,797**

(33) LIABILITIES EVIDENCED BY CERTIFICATES (LAC)

Liabilities evidenced by certificates – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Mortgage bonds	1,106,919	618,781
Municipal bonds	40,702	43,034
Medium-term fixed-rate notes	2,017	2,012
Bonds	927,219	1,107,012
Housing construction bonds	68,133	79,361
Bonds issued by Pfandbriefbank	241,236	450,529
Deferred interest	16,376	13,049
Liabilities evidenced by certificates	**2,402,602**	**2,313,778**

Repurchased own bonds of EUR 324,024,000 (2014: EUR 12,433,000) were deducted directly from liabilities evidenced by certificates. In liabilities evidenced by certificates, the use of hedge accounting led to amortised costs of EUR 1,827,159,000 (2014: EUR 1,111,799,000) being adjusted by the hedged fair value of EUR 38,371,000 (2014: EUR 41,392,000).

(34) NEGATIVE MARKET VALUES OF HEDGES

Breakdown by type of hedge

in '000 EUR	31.12.2015	31.12.2014
Negative market values of fair value hedges	145,975	143,856
Deferred interest on derivative hedging instruments	14,972	18,619
Negative market values of hedges	**160,947**	**162,475**

The nominal values and the negative market values of the hedging instruments are shown in Note (18). The Group did not enter into any cash flow hedge positions in the reporting year or the previous year.

(35) TRADING LIABILITIES AND DERIVATIVES

Trading liabilities and derivatives – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Negative market values of derivative financial instruments	233,709	255,463
Deferred interest	5,918	6,298
Trading liabilities and derivatives	**239,627**	**261,761**

The nominal values and the negative market values of the derivative financial instruments are shown in Note (19).

(36) FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE (LAFV)

Financial liabilities designated at fair value – breakdown by type of business

in '000 EUR	31.12.2015	31.12.2014
Amounts owed to banks at fair value	151,660	153,606
Amounts owed to customers at fair value	549,339	583,696
Mortgage bonds at fair value	26,314	27,201
Municipal bonds at fair value	744,635	747,778
Bonds at fair value	1,685,788	2,439,833
Housing construction bonds at fair value	162,229	159,710
Bonds issued by Pfandbriefbank at fair value	44,038	176,194
Supplementary capital at fair value	56,025	60,232
Deferred interest	44,329	54,936
Financial liabilities at fair value	**3,464,357**	**4,403,186**

Repurchased own bonds of EUR 22,594,000 (2014: EUR 71,523,000) were deducted directly from financial liabilities designated at fair value.

Disclosures on changes in fair value

in '000 EUR	2015	2014
Carrying value	**3,464,357**	**4,403,186**
Amount repayable	3,252,545	4,127,165
Difference between carrying value and amount repayable	211,812	276,021
Total change in market value	**230,455**	**384,721**
of which due to market risk	254,316	390,346
of which due to credit risk	–23,861	–5,625
Change in market value in the reporting period	**–154,266**	**36,662**
of which due to market risk	–136,030	36,363
of which due to credit risk	–18,236	299

In the calculation of the market value of "financial liabilities – LAFV", the credit spread is derived from market data. When determining the change in fair value due to credit risk, there is a nuanced assessment of financial instruments with regard to currency, maturity, placement type and collateral/risk structure. The change in fair value due to credit risk is determined using a model in which the change in fair value due to market risk is deducted from the total change in fair value.

(37) PROVISIONS

Provisions by type

in '000 EUR	31.12.2015	31.12.2014
Severance provisions	17,310	17,443
Pension provisions	5,994	5,677
Service anniversary provisions	2,194	1,963
Social capital	**25,498**	**25,083**
Provisions for guarantees/ assumed liability	21,468	37,231
Provisions for credit risks	6,302	6,287
Provisions for ongoing litigation	2,707	1,143
Association obligation provisions	524	535
Other provisions	4,790	3,902
Other provisions	**35,791**	**49,098**
Provisions	**61,289**	**74,181**

A breakdown by maturity or the expected terms of resulting outflows is shown in Note (44).

Although guarantees and warranties are not shown on the balance sheet, the credit risk they pose is not insubstantial. To account for this default risk, provisions are recognised for customers with certain credit rating deterioration. If a contingent liability from a guarantee or warranty takes effect, we have the right to recourse from the guarantee holder. The collateral provided by the guarantee holder is therefore considered when recognising the provision. Therefore, an inflow of economic benefits in excess of the collateral is not expected. In 2014, following the moratorium of HETA Asset Resolution AG by the Austrian financial market authority in connection with the guarantee of the Austrian regional mortgage banks (Landeshypothekenbanken) and their federal states, a provision of EUR 36,000,000 was recognised. On the basis of the utilisation of the liquidity provided, the recognised provision was partially converted into a valuation allowance for the receivable from HETA Asset Resolution AG. A provision of EUR 17,758,000 remains for the liquidity still to be provided.

Credit risk provisions are also intended to cover credit risk from undrawn borrowing facilities. Loans granted to customers but not yet drawn represent contingent liabilities. As these are not shown on the balance sheet, a loan loss provision is possible under provisions only. As they are loan commitments according to IAS 39.2(h), they come under the scope of IAS 37. Provisions for litigation include both the expected legal and consulting costs and the estimated payment obligations to the opposing party resulting from the proceedings.

Provisions for association obligation include pension payment obligations for employees of Hypo-Verband. These are reported under provisions and not social capital because they do not represent expenses for Group employees.

No specific assets or funding are in place for social capital, apart from the pension agreement for employees of the St. Gallen branch. For employees of the St. Gallen branch, the fund assets are invested by Swiss Life AG, Zürich, within the framework of the BVG collective foundation Swiss Life. Employers and employees both pay their contributions into this fund. The fund assets and thus their measurement effects are therefore not included in these consolidated financial statements. Therefore, the provision recognises the net obligation from the present value of the defined benefit obligations less the fair value of the fund assets. Gains and losses from the allocation or reversal of provisions are shown directly in administrative expenses and other comprehensive income. For pension provisions, we are required by law to hold fixed interest securities as collateral for pension recipients' pension entitlements.

Development of social capital

in '000 EUR 2014	Severance provisions	Pension provisions	Service Anniversary provisions	Total
Present value 1 January	**15,517**	**5,868**	**1,709**	**23,094**
Years of service expense	699	227	155	1,081
Interest expense	440	151	51	642
Payments	–211	–518	–63	–792
Actuarial gains/losses	998	–51	111	1,058
Present value 31 December	**17,443**	**5,677**	**1,963**	**25,083**

in '000 EUR 2015	Severance provisions	Pension provisions	Service Anniversary provisions	Total
Present value 1 January	**17,443**	**5,677**	**1,963**	**25,083**
Years of service expense	745	219	178	1,142
Interest expense	328	101	40	469
Payments	–475	–580	–82	–1,137
Actuarial gains/losses	–731	577	95	–59
Present value 31 December	**17,310**	**5,994**	**2,194**	**25,498**

The actuarial gains/losses from severance and pension provisions of EUR +154,000 (2014: EUR –947,000) recognised in other comprehensive income are attributable to changes in financial assumptions.

For the defined benefit obligation for the employees of the St. Gallen branch, the components of the fund assets are described and the fund assets reconciled below.

Fund asset components

in '000 EUR	2015	2014
Fair value of assets from defined benefit plans	2,591	2,179
of which equity instruments	66	26
of which debt securities	2,163	1,856
of which properties	313	262
of which other assets from defined benefit plans	49	35
Present value of obligations from defined benefit plans	3,704	2,648
Net defined benefit obligation – St. Gallen branch	**1,113**	**469**

Reconciliation of fund assets

in '000 EUR	2015	2014
Fair value of assets from defined benefit plans on 1 January	**2,179**	**1,696**
Currency translation effects	239	36
Interest income from assets	48	52
Gain/loss on remeasurement of assets	–100	8
Employer contribution payments	242	184
Employee contribution payments	161	123
Plan participant contribution payments	188	465
Disbursements	–366	–385
Fair value of assets from defined benefit plans on 31 December	**2,591**	**2,179**

Changes in other provisions

in '000 EUR 2014	Guarantees and warranties	Credit risks	Ongoing litigation	Association obligations	Other	Total
Carrying value 1 January	**713**	**12,670**	**2,893**	**524**	**1,714**	**18,514**
Currency translation	0	0	0	0	19	19
Allocation	36,792	3,616	201	75	8,471	49,155
Use	0	–6,518	–90	–64	–1,701	–8,373
Reversal	–274	–2,912	–181	0	–6,850	–10,217
Reclassification	0	–569	–1,680	0	2,249	0
Carrying value 31 December	**37,231**	**6,287**	**1,143**	**535**	**3,902**	**49,098**

in '000 EUR 2015	Guarantees and warranties	Credit risks	Ongoing litigation	Association obligations	Other	Total
Carrying value 1 January	**37,231**	**6,287**	**1,143**	**535**	**3,902**	**49,098**
Currency translation	9	0	–2	0	5	12
Allocation	5,798	1,252	1,831	4	4,992	13,877
Use	0	0	–56	–15	–36	–107
Reversal	–21,570	–1,237	–209	0	–4,073	–27,089
Carrying value 31 December	**21,468**	**6,302**	**2,707**	**524**	**4,790**	**35,791**

(38) TAX LIABILITIES

Tax liabilities – breakdown by type

in '000 EUR	31.12.2015	31.12.2014
Tax provision	14,252	2,022
Current tax liability	107	191
Tax liabilities	**14,359**	**2,213**

Development of the tax provision

in '000 EUR	2015	2014
Carrying amount 1 Jan.	**2,022**	**7,622**
Currency translation	34	4
Allocation	14,090	741
Use	–1,830	–6,117
Reversal	–64	–228
Carrying amount 31 Dec.	**14,252**	**2,022**

The breakdown by maturity is shown in Note (44).

(39) DEFERRED TAX

In the table below, deferred tax assets are deducted from tax liabilities when they represent a liability in net terms in the respective tax entity. The breakdown by maturity is shown in Note (44).

in '000 EUR	31.12.2015	31.12.2014
Temporary differences from the measurement of financial instruments via the income statement	8,751	6,838
Temporary differences from the measurement of financial instruments via the statement of comprehensive income	3,173	5,350
Temporary differences from writing down assets	2,362	2,177
Temporary differences from provisions	3,144	2,027
Other temporary differences	68	325
Deferred tax liabilities	**17,498**	**16,717**
Set-off of deferred taxes	–9,355	–8,790
Net deferred tax liabilities	**8,143**	**7,927**

(40) OTHER LIABILITIES

in '000 EUR	31.12.2015	31.12.2014
Liabilities in connection with social security	1,445	1,430
Other tax liabilities	6,347	8,892
Trade payments	5,986	4,455
Deferred liabilities	14,437	14,656
Other Liabilities	36,524	26,542
Other Liabilities	**64,739**	**55,975**

(41) SUPPLEMENTARY CAPITAL (LAC)

In supplementary capital, the use of hedge accounting led to amortised costs of EUR 100,000,000 (2014: EUR 98,961,000) being adjusted by the hedged fair value of EUR 6,928,000 (2014: EUR 7,636,000).

Development of supplementary capital

in '000 EUR	2015	2014
Balance 1 January	**327,415**	**319,098**
New intake/sale from own holdings	51,039	0
Repayments	–1,199	–1,057
Change in deferred interest	165	–27
Change from hedge accounting measurement	–518	9,401
Balance 31 December	**376,902**	**327,415**

(42) SHAREHOLDERS' EQUITY

Composition of equity – breakdown by type

in '000 EUR	2015	2014
Subscribed capital	165,453	165,453
Capital reserves	48,874	48,874
Retained earnings and other reserves	747,607	658,847
Revaluation reserves	7,160	13,629
of which AFS revaluation reserve	9,517	16,050
of which IAS 19 revaluation reserve	–2,357	–2,421
Reserves from currency translation	–1	–6
Total parent company shareholders	**969,093**	**886,797**
Non-controlling interests	48	59
Total equity	**969,141**	**886,856**

The subscribed capital comprises the share capital of EUR 156,453,000 (2014: EUR 156,453,000), which was fully paid-in. On 31 December 2015, 305,605 (2014: 305,605) shares with a nominal value of EUR 511.9452 were issued. The subscribed capital also includes the fully paid-in participation certificates issued in 2008 of EUR 9,000,000 (2014: EUR 9,000,000). On 31 December 2015, 1,000,000 (2014: 1,000,000) participation certificates with a nominal value of EUR 9.00 were issued. The participation certificates have no maturity and are not repayable. Distribution is based on a variable interest rate but can be carried out only if there is a sufficient distributable profit.

Retained earnings include the legal reserve. The reversal of the legal reserve amounting to EUR 13,421,000 (2014: EUR 13,410,000) is connected to the UGB.

Liable capital as per Section 57 (5) of the Austrian Banking Act is also reported under retained earnings. Liable capital amounting to EUR 128,476,000 (2014: EUR 128,476,000) may only be reversed in as much as this is necessary to fulfil obligations in accordance with Section 93 of the Austrian Banking Act or to cover other losses to be reported in the annual financial statements. Liable capital must be replenished to the extent of the amount reversed within the following five financial years at the latest.

Dividends of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft can distribute a dividend no larger than the unappropriated surplus of EUR 30,000,000 (2014: EUR 5,000,000) reported in the separate financial statements according to BWG and UGB.

The net profit according to UGB posted by Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft for the 2015 financial year amounted to EUR 78,369,000 (2014: EUR 32,992,000). After the allocation to reserves of EUR 49,394,000 (2014: EUR 28,947,000) and the addition of the retained profit of EUR 1,025,000 (2014: EUR 955,000), accumulated profits available for appropriation totalled EUR 30,000,000 (2014: EUR 5,000,000). Subject to approval by the shareholders' meeting, a dividend of EUR 10.00 (2014: EUR 10.00) is proposed per entitled share based on the shares and the associated share capital of EUR 156,453,000 (2014: EUR 156,453,000). The dividend distribution will therefore be EUR 3,056,000 (2014: EUR 3,056,000) for 305,605 (2014: 305,605) shares. For the participation certificates issued in 2008, profits are distributed on the basis of an agreed variable interest rate, provided the interest payments are covered by the previous year's profit.

(43) FOREIGN CURRENCY VOLUME AND FOREIGN-DENOMINATED ASSETS

in '000 EUR	EUR	USD	CHF	JPY	Other	Total
Assets as at 31 December 2014						
Cash and balances with central banks	460,939	137	9,479	1	143	470,699
Loans and advances to banks	578,264	19,913	153,296	3,093	128,774	883,340
Loans and advances to customers	7,000,232	61,555	1,756,720	30,212	105,693	8,954,412
Positive market values of hedges	71,501	0	3,248	0	1,367	76,116
Trading assets and derivatives	387,431	8,247	151,101	42,914	5,967	595,660
Financial assets – at fair value	960,076	24,648	37,512	77,298	23,858	1,123,392
Financial assets – available for sale	637,994	47,775	26,868	0	8,512	721,149
Financial assets – held to maturity	1,059,891	34,264	4,246	0	15,932	1,114,333
Shares in companies valued at equity	34,593	0	0	0	0	34,593
Investment property	60,326	0	0	0	0	60,326
Intangible assets	669	0	617	0	0	1,286
Property, plant and equipment	72,808	0	1,245	0	0	74,053
Tax assets	3,501	0	82	0	7	3,590
Deferred tax assets	8,688	0	0	0	0	8,688
Non-current assets available for sale	0	0	0	0	0	0
Other assets	63,533	35	54	0	233	63,855
Total assets	**11,400,446**	**196,574**	**2,144,468**	**153,518**	**290,486**	**14,185,492**

in '000 EUR	EUR	USD	CHF	JPY	Other	Total
Liabilities and shareholders' equity as at 31 December 2014						
Amounts owed to banks	991,262	17,581	944	5,851	11,290	1,026,928
Amounts owed to customers	4,219,917	218,075	178,596	1,565	44,644	4,662,797
Liabilities evidenced by certificates	2,204,290	0	109,488	0	0	2,313,778
Negative market values of hedges	117,606	3,347	9,714	826	30,982	162,475
Trading liabilities and derivatives	243,083	3,026	6,536	5,596	3,520	261,761
Financial liabilities – at fair value	2,451,811	25,493	1,589,974	329,568	6,340	4,403,186
Provisions	73,662	0	519	0	0	74,181
Tax liabilities	1,637	0	491	0	85	2,213
Deferred tax liabilities	7,927	0	0	0	0	7,927
Other liabilities	54,341	23	1,060	0	551	55,975
Supplementary capital	327,415	0	0	0	0	327,415
Shareholders' equity	886,856	0	0	0	0	886,856
Total liabilities and shareholders' equity	**11,579,807**	**267,545**	**1,897,322**	**343,406**	**97,412**	**14,185,492**

in '000 EUR	EUR	USD	CHF	JPY	Other	Total
Assets as at 31 December 2015						
Cash and balances with central banks	621,174	210	91,002	7	98	712,491
Loans and advances to banks	338,999	36,509	159,811	2,913	111,897	650,129
Loans and advances to customers	7,080,690	76,053	1,777,475	28,027	99,113	9,061,358
Positive market values of hedges	69,953	0	6,157	0	260	76,370
Trading assets and derivatives	269,300	6,206	143,909	37,781	4,445	461,641
Financial assets – at fair value	781,608	26,195	31,889	79,483	18,839	938,014
Financial assets – available for sale	607,298	47,850	81,620	0	8,658	745,426
Financial assets – held to maturity	924,909	51,252	0	0	11,524	987,685
Shares in companies valued at equity	34,554	0	0	0	0	34,554
Investment property	43,518	0	0	0	0	43,518
Intangible assets	505	0	331	0	0	836
Property, plant and equipment	75,000	0	1,155	0	0	76,155
Tax assets	3,389	0	197	0	0	3,586
Deferred tax assets	10,348	0	0	0	0	10,348
Non-current assets available for sale	12,223	0	0	0	0	12,223
Other assets	86,460	39	1,106	0	472	88,077
Total assets	**10,959,928**	**244,314**	**2,294,652**	**148,211**	**255,306**	**13,902,411**

in '000 EUR	EUR	USD	CHF	JPY	Other	Total
Liabilities and shareholders' equity as at 31 December 2015						
Amounts owed to banks	1,130,086	874	1,715	2,186	9,626	1,144,487
Amounts owed to customers	4,494,573	264,228	197,034	2,595	37,388	4,995,818
Liabilities evidenced by certificates	2,282,581	0	120,021	0	0	2,402,602
Negative market values of hedges	109,977	7,327	13,253	1,244	29,146	160,947
Trading liabilities and derivatives	217,332	3,012	6,382	7,675	5,226	239,627
Financial liabilities – at fair value	2,016,889	27,949	1,180,881	231,874	6,764	3,464,357
Provisions	59,807	0	1,482	0	0	61,289
Tax liabilities	13,769	0	482	0	108	14,359
Deferred tax liabilities	8,143	0	0	0	0	8,143
Other liabilities	62,699	22	1,335	0	683	64,739
Supplementary capital	376,902	0	0	0	0	376,902
Shareholders' equity	969,141	0	0	0	0	969,141
Total liabilities and shareholders' equity	**11,741,899**	**303,412**	**1,522,585**	**245,574**	**88,941**	**13,902,411**

The difference between assets and liabilities in the individual currencies does not constitute the Group's open foreign exchange position according to Article 352 CRR. Open foreign exchange positions are hedged with derivative financial instruments such as currency swaps or cross-currency swaps. However, these hedges are not carried in the IFRS balance sheet at nominal value but at market value. The sum of all open foreign exchange positions according to Article 352 CRR was EUR 15,839,000 as of 31 December 2015 (2014: EUR 15,770,000).

Foreign-denominated assets and liabilities

in '000 EUR	31.12.2015	31.12.2014
Foreign assets	5,768,843	6,074,922
Foreign liabilities	5,804,926	6,853,169

(44) MATURITIES

in '000 EUR 31.12.2014	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Cash and balances with central banks	441,668	0	0	0	0	29,031	470,699
Loans and advances to banks	138,621	112,778	194,046	294,966	142,929	0	883,340
Loans and advances to customers	645,724	733,582	617,255	2,476,632	4,444,782	36,437	8,954,412
Positive market values of hedges	0	1	1,381	10,981	63,753	0	76,116
Trading assets and derivatives	0	13,533	32,429	315,375	233,637	686	595,660
Financial assets – at fair value	0	17,371	130,932	319,729	638,022	17,338	1,123,392
Financial assets – available for sale	0	21,420	55,786	393,495	209,641	40,807	721,149
Financial assets – held to maturity	0	78,594	159,892	402,440	473,407	0	1,114,333
Shares in companies valued at equity	0	0	0	0	0	34,593	34,593
Investment property	0	0	0	0	0	60,326	60,326
Intangible assets	0	0	0	0	0	1,286	1,286
Property, plant and equipment	0	0	0	0	0	74,053	74,053
Tax assets	53	30	3,221	184	102	0	3,590
Deferred tax assets	0	0	218	30	8,440	0	8,688
Other assets	7,647	857	1,657	119	770	52,805	63,855
Assets	**1,233,713**	**978,166**	**1,196,817**	**4,213,951**	**6,215,483**	**347,362**	**14,185,492**

in '000 EUR 31.12.2014	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Amounts owed to banks	352,165	230,110	32,935	404,911	6,807	0	1,026,928
Amounts owed to customers	3,662,350	35,124	235,223	340,064	390,036	0	4,662,797
Liabilities evidenced by certificates	158	40,859	134,462	1,417,605	720,694	0	2,313,778
Negative market values of hedges	0	664	2,203	42,959	116,649	0	162,475
Trading liabilities and derivatives	0	7,360	20,977	67,111	166,313	0	261,761
Financial liabilities – at fair value	0	47,997	403,930	3,044,950	906,309	0	4,403,186
Provisions	5	107	4,621	47,106	21,223	1,119	74,181
Tax liabilities	108	20	1,922	0	163	0	2,213
Deferred tax liabilities	–198	737	–71	3,757	3,322	380	7,927
Other liabilities	32,306	9,527	9,085	3,340	1,244	473	55,975
Supplementary capital	0	6,540	57,347	156,511	107,017	0	327,415
Shareholders' equity	0	0	0	0	0	886,856	886,856
Total Liabilities and shareholder's equity	**4,046,894**	**379,045**	**902,634**	**5,528,314**	**2,439,777**	**888,828**	**14,185,492**

in '000 EUR 31.12.2015	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Cash and balances with central banks	683,677	0	0	0	0	28,814	712,491
Loans and advances to banks	164,554	55,032	124,350	194,867	111,326	0	650,129
Loans and advances to customers	715,574	521,713	551,144	2,550,143	4,668,452	54,332	9,061,358
Positive market values of hedges	0	409	790	43,839	31,332	0	76,370
Trading assets and derivatives	0	86,245	17,945	188,925	167,851	675	461,641
Financial assets – at fair value	0	43,913	87,159	247,337	547,488	12,117	938,014
Financial assets – available for sale	1	31,710	55,879	395,474	222,737	39,625	745,426
Financial assets – held to maturity	0	63,742	83,355	394,334	446,254	0	987,685
Shares in companies valued at equity	0	0	0	0	0	34,554	34,554
Investment property	0	0	0	0	0	43,518	43,518
Intangible assets	0	0	0	0	0	836	836
Property, plant and equipment	0	0	0	0	0	76,155	76,155
Tax assets	38	0	3,548	0	0	0	3,586
Deferred tax assets	0	0	0	0	10,294	54	10,348
Non-current assets available for sale	0	0	12,223	0	0	0	12,223
Other assets	7,655	10,859	3,171	2,271	448	63,673	88,077
Assets	**1,571,499**	**813,623**	**939,564**	**4,017,190**	**6,206,182**	**354,353**	**13,902,411**

in '000 EUR 31.12.2015	Payable on demand	Up to 3 months	Up to 1 year	Up to 5 years	More than 5 years	Without maturity	Total
Amounts owed to banks	217,914	120,394	170,680	499,911	135,588	0	1,144,487
Amounts owed to customers	3,922,855	99,566	233,455	349,032	390,910	0	4,995,818
Liabilities evidenced by certificates	161	55,692	22,719	1,733,841	590,189	0	2,402,602
Negative market values of hedges	0	1,311	4,230	40,087	115,319	0	160,947
Trading liabilities and derivatives	0	3,253	8,291	93,251	134,832	0	239,627
Financial liabilities – at fair value	0	442,718	119,781	2,120,373	781,485	0	3,464,357
Provisions	28	128	5,500	29,725	23,510	2,398	61,289
Tax liabilities	257	0	14,102	0	0	0	14,359
Deferred tax liabilities	400	18,228	–3,747	–3,699	–3,911	872	8,143
Other liabilities	34,948	9,045	15,679	3,513	1,163	391	64,739
Supplementary capital	0	6,540	63,920	148,661	157,781	0	376,902
Shareholders' equity	0	0	0	0	0	969,141	969,141
Total Liabilities and shareholder's equity	**4,176,563**	**756,875**	**654,610**	**5,014,695**	**2,326,866**	**972,802**	**13,902,411**

D. FURTHER IFRS INFORMATION

(45) DISCLOSURES ON THE CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. The net cash flow from operating activities is calculated on the basis of consolidated net profit after adding expenses and deducting income that did not affect cash in the financial year. All expenses and income that did affect cash but are not attributable to operating activities are also eliminated. These payments are included in cash flow from investing or financing activities.

(46) CONTINGENT LIABILITIES AND CREDIT RISKS

Contingent liabilities

in '000 EUR	31.12.2015	31.12.2014
Liabilities from financial guarantees	319,397	319,331
Other contingent liabilities	36,456	36,763
Contingent liabilities	**355,853**	**356,094**

Contingent liabilities – breakdown by residual duration

in '000 EUR	31.12.2015	31.12.2014
Repayable on demand	693	258
Up to 3 months	36,051	32,617
Up to 1 year	74,172	72,502
Up to 5 years	116,853	132,237
More than 5 years	41,734	39,111
Unlimited	86,350	79,369
Contingent liabilities – breakdown by residual duration	**355,853**	**356,094**

Contingent liabilities from financial guarantees represent commitments to third parties to assume liability for our customers. If the guarantee holder fails to meet its contractual obligations, the beneficiary may utilise the Bank's financial guarantee. In turn, the Bank is able to claim recourse from its customers. The amounts shown represent the maximum amount that could lead to a payment in the event of utilisation. The recognition of contingent liabilities in connection with financial guarantees is difficult, because the utilisation of the commitment cannot be predicted or plausibly estimated. Other contingent liabilities constitute certain trust activities and documentary credit transactions.

Besides the contingent liabilities described above, there are also the following contingent obligations:

- **Obligation from the membership required under Section 93 of the Austrian Banking Act of deposit insurance company "Hypo-Haftungs-Gesellschaft m.b.H."**
  If this deposit insurance is utilised, the contribution for the individual bank in line with Section 93a (1) Austrian Banking Act in the financial year is a maximum of 1.5 % (2014: 1.5 %) of the assessment basis in line with Article 92 (3) lit. a Regulation (EU) No. 575/2013 (CRR), plus 12.5 times the own funds requirement for the position risk as of the last reporting date, when the own funds requirements for market risk are determined according to Part 3 Title IV of Regulation (EU) No. 575/2013, and thus amounts to EUR 110,400,000 for the Bank (2014: EUR 115,990,000).

  According to Section 8 (1) ESAEG, Hypo Landesbank Vorarlberg is part of the uniform protection scheme according to Section 1 (1) No. 1 ESAEG as a deposittaking bank (CRR bank) based in Austria. On the basis of the transitional provisions of Section 59 No. 3 ESAEG, Hypo-Haftungs-GmbH, which is part of the trade association of the Landes-Hypothekenbanken, will function as a protection scheme until 31 December 2018. Every protection scheme must establish a deposit protection fund comprising available financial resources amounting to at least 0.8 % of the sum of the covered deposits of the member institutions as a target level. The contribution obligation depends on the amount of covered deposits based on predefined risk factors (e.g. riskbased contribution calculation). For the 2015 financial year, half of the annual contribution had to be paid because the ESAEG came into force on 14 August 2015. Hypo Landesbank Vorarlberg's share of the contribution was calculated as EUR 516,000. In addition, if a pay-out event occurs and the fund resources are insufficient to cover the depositors' claims, Hypo-Haftungs-GmbH is obliged to collect extraordinary contributions from its member institutions. According to Section 22 (1) ESAEG, these extraordinary contributions may not exceed 0.5 % of the covered deposits per year. As of 1 January 2019, the task of the sectoral protection scheme will be transferred to the uniform protection scheme to be established by the Austrian Economic Chambers. The uniform protection scheme will also take over the tasks of the protection schemes of the trade associations of banks, bankers and Volksbanken on this date.

- **Liability for the liabilities of Pfandbriefbank AG**
  All eight affiliated banks (Hypothekenbank Vorarlberg, Tirol, Salzburg, Oberösterreich, Niederösterreich, Burgenland, Steiermark and Kärnten) have joint and several liability for the above liabilities amounting to EUR 3,343,912,000 (2014: EUR 5,538,652,000). In addition, the banks' guarantors (the states of Vorarlberg, Tyrol, Salzburg, Upper Austria, Lower Austria, Burgenland, Styria and Carinthia) have joint and several liability
  - Unlimited for liabilities incurred up to 2 April 2003
  - Limited for liabilities incurred after 2 April 2003 and up to 1 April 2007 if maturity does not exceed 30 September 2017.

Hypo Landesbank Vorarlberg holds the liabilities shown in the table below in trust on behalf of Pfandbriefbank (included in the above liabilities of Pfandbriefbank).

Liabilities to Pfandbriefbank

in '000 EUR	31.12.2015	31.12.2014
Liabilities evidenced by certificates	241,236	450,561
Financial liabilities – at fair value	126,603	259,314
Liabilities to Pfandbriefbank	**367,839**	**709,875**

Credit risks per Section (14) Austrian Banking Act (BWG)

in '000 EUR	31.12.2015	31.12.2014
Credit commitments and unutilised credit lines	1,790,742	1,829,672
Credit risks	**1,790,742**	**1,829,672**

These credit risks include loans granted but not yet drawn upon by customers. This primarily includes loan commitments but also unutilised credit lines. The credit risks were recognised at nominal value.

(47) INTEREST-FREE LOANS AND ADVANCE

in '000 EUR	31.12.2015	31.12.2014
Loans and advances to banks	56,970	53,804
Loans and advances to customers	249,443	83,382
Interest-free loans and advances	**306,413**	**137,186**

Interest-free loans and advances to banks mainly constitute non-interest-bearing balances at clearing houses and receivables from payment transactions. Loans and advances to customers are classified as interest-free when the collection of interest payments in future periods can no longer be expected. Sufficient valuation allowances have already been recognised for these loans and advances.

(48) COLLATERAL

Assets provided as collateral

in '000 EUR	31.12.2015	31.12.2014
Loans and advances to banks	404,955	498,038
Loans and advances to customers	3,784,891	3,486,938
Financial assets – at fair value	308,874	419,629
Financial assets – available for sale	509,357	541,269
Financial assets – held to maturity	827,140	999,185
Assets provided as collateral	**5,835,217**	**5,945,059**
of which covered pool for mortgage bonds	2,675,953	2,371,307
of which covered pool for public-sector mortgage bonds	1,276,511	1,307,768

The collateral holder is not entitled to sell or repledge the collateral listed. Therefore, there were no reclassifications on the balance sheet for the collateral provided. Loans and advances to banks include collateral deposits from other banks that were provided as collateral in derivative business. Loans and advances to customers include the covered pool for issued and public-sector mortgage bonds. The assets – at fair value and assets – held to maturity provided as collateral relate to a securities account at Oesterreichische Kontrollbank, which is required for participating in refinancing from Oesterreichische Nationalbank.

As a collateral holder, the Bank does not hold collateral that it is permitted to sell in the absence of default by the owner or repledge without the owner's permission.

Assignment of collateral

in '000 EUR	31.12.2015	31.12.2014
Backing for refinancing with central banks	1,034,429	1,522,127
Covered pool for mortgage bonds	2,674,953	2,358,026
Covered pool for public-sector mortgage bonds	1,253,937	1,333,938
Surplus cover for mortgage bonds and municipal bonds	65,478	38,147
Covered pool for trust savings deposits	29,054	29,305
Cover for pension provisions	2,143	2,212
Genuine repurchase agreements – repos	573,909	467,838
Deposits, collateral, margins	201,314	193,466
Collateral – breakdown by assignment	**5,835,217**	**5,945,059**

Use of collateral

in '000 EUR	31.12.2015	31.12.2014
Backing for refinancing with central banks	446,105	495,712
Covered pool for mortgage bonds	1,420,055	620,055
Covered pool for public-sector mortgage bonds	655,995	645,485
Surplus cover for mortgage bonds and municipal bonds	65,478	38,147
Covered pool for trust savings deposits	25,090	22,484
Cover for pension provisions	2,143	2,212
Deposits, collateral, margins	201,314	193,466
Collateral – breakdown by use	**2,816,180**	**2,017,561**

(49) SUBORDINATED ASSETS

in '000 EUR	31.12.2015	31.12.2014
Loans and advances to banks	22,629	26,693
Loans and advances to customers	4,958	5,880
Financial assets – at fair value	14,478	22,998
Financial assets – available for sale	33,495	23,334
Financial assets – held to maturity	10,441	10,432
Subordinated assets	**86,001**	**89,337**

(50) FIDUCIARY TRANSACTIONS ADVANCES

in '000 EUR	31.12.2015	31.12.2014
Loans and advances to customers	56,752	54,572
Fiduciary assets	**56,752**	**54,572**
Amounts owed to banks	44,802	43,849
Amounts owed to customers	15,662	11,311
Fiduciary liabilities	**60,464**	**55,160**

(51) REPURCHASE AGREEMENTS

The Group did not conclude any repurchase agreements in the reporting year.

(52) RELATED PARTY DISCLOSURES

Related parties include:

- The owners of Vorarlberger Landesbank-Holding and Austria Beteiligungsgesellschaft mbH,
- The Managing Board and Supervisory Board of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft and their next of kin,
- Managing directors of consolidated subsidiaries and their next of kin,
- Senior employees of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft as defined by Section 80 of the Austrian Stock Corporation Act (AktG) and their next of kin,
- Legal representatives and members of the supervisory bodies of significant shareholders,
- Subsidiaries and other companies in which Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft holds a stake.

Advances, loans and warranties

At the end of the year, the Managing Board members and managing directors and their next of kin had received advances, loans and warranties amounting to EUR 7,625,000 (2014: EUR 4,247,000) at the customary terms and conditions for Bank employees. At the end of the year, the Supervisory Board members and their next of kin had received advances, loans and warranties amounting to EUR 22,882,000 (2014: EUR 2,393,000) for themselves and for companies for which they are personally liable at the customary terms and conditions for the Bank or for Bank employees.

Remuneration

The Managing Board members' annual remuneration comprises a fixed sum and a variable component. In some cases, variable remuneration determined individually by the Managing Board has also been agreed for managing directors and senior employees. There are no share-based remuneration schemes.

In 2015, Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft spent the following amounts for the active Managing Board members.

in '000 EUR	2015	2014
Michael Grahammer	332	308
Johannes Hefel	258	238
Michel Haller	255	231
Managing Board remuneration	**845**	**777**

Salaries increased compared to 2014 because remuneration was converted to purely a fixed salary from 1 May 2015. In 2016, the Managing Board members will receive only an aliquot bonus for the period from January to April of the previous year.

Remuneration paid to related parties

in '000 EUR	2015	2014
Managing Board members and managing directors	1,685	1,550
Retired Managing Board members and survivors	76	62
Managerial personnel	4,529	4,250
Supervisory Board members	184	187
Remuneration paid to related parties	**6,474**	**6,049**

Severance and pensions

The expenses for severance and pensions to related parties comprise the amounts shown in the table below.

in '000 EUR	2015	2014
Managing Board members and managing directors	211	177
Pensioners	154	52
Managerial personnel	642	695
Other active employees	812	2,426
Expenses for severance and pensions for related parties	**1,819**	**3,350**

There are no other termination benefits apart from the severance entitlements discussed in Note (37).

The Group purchased services amounting to EUR 41,000 (2014: EUR 171,000) from companies in which parties related to the Group hold a significant interest.

Business relationships with affiliated companies

in '000 EUR	31.12.2015	31.12.2014
Loans and advances to customers	3,386	3,779
Loans and advances	**3,386**	**3,779**
Amounts owed to customers	194	1,255
Liabilities	**194**	**1,255**

Transactions with related companies include loans and credits and business current accounts for our non-consolidated subsidiaries. The receivables generally have an interest rate of 0.25 % (2014: 0.375 %). One current account with a carrying amount of EUR 838,000 bears interest at a rate of 0.5 %. Liabilities generally have an interest rate of 0.05 % (2014: 0.05 %). As at the reporting date, no warranties were assumed for related companies, as in the previous year.

Income and expenses from affiliated companies

in '000 EUR	2015	2014
Interest income	11	15
Interest expenses	0	–1
Fee and commission income	1	2
Total income/expenses from affiliated companies	**12**	**16**

Business relationships with associated companies

in '000 EUR	31.12.2015	31.12.2014
Loans and advances to customers	42,786	45,626
Trading assets and derivatives	964	1,163
Financial assets	266	266
Loans and advances	**44,016**	**47,055**
Amounts owed to banks	1,967	1,071
Amounts owed to customers	6,762	3,144
Trading liabilities and derivates	32	3
Liabilities	**8,761**	**4,218**

Transactions with associated companies include loans, cash advances, credits, business current accounts, savings deposits and time deposits. These transactions are concluded at standard market conditions. As at the reporting date, no warranties were assumed for associated companies, as in the previous year. We have also concluded derivative transactions with associated companies in the form of interest rate options and interest rate swaps with a nominal value of EUR 15,000,000 (2014: EUR 15,000,000), which serve these companies as an interest rate cap in connection with long-term financing. In turn, the Group has hedged these options written with options purchased from other counterparties.

Income and expenses from significant shareholders

in '000 EUR	2015	2014
Interest income	980	1,115
Interest expenses	–4	–2
Fee and commission income	3	5
Total income/expenses from affiliated companies	**979**	**1,118**

Business relationships with shareholders

in '000 EUR	31.12.2015	31.12.2014
Loans and advances to banks	10,734	13,811
Loans and advances to customers	33,596	38,371
Trading assets and derivatives	65,836	90,549
Financial assets	74,931	80,960
Loans and advances	**185,097**	**223,691**
Amounts owed to banks	973	16,926
Amounts owed to customers	67,409	53,749
Trading liabilities and derivatives	75,593	78,666
Liabilities	**143,975**	**149,341**

Transactions with shareholders with significant influence primarily include loans, cash advances, credits, business current accounts, savings deposits and time deposits. We have also concluded derivative transactions with a nominal value of EUR 2,385,381,000 (2014: EUR 2,220,415,000) with Landesbank Baden-Württemberg to hedge against market price risks. The positive market values of derivatives are hedged in connection with cash collateral. There is usually no collateral for the remaining loans and advances. All of these transactions were concluded at standard market conditions.

Income and expenses from significant shareholders

in '000 EUR	2015	2014
Interest income	31,435	20,366
Interest expenses	–24,953	–12,636
Fee and commission income	1,549	1,542
Fee and commission expenses	0	–7
Other expenses	–1,453	–1,453
Total income/expenses from significant shareholders	**6,578**	**7,812**

Shareholders of Vorarlberger Landes- und Hypotheken-bank Aktiengesellschaft at 31 December 2014

Shareholders	Interest	Voting rights
Vorarlberger Landesbank-Holding	76.0308 %	76.0308 %
Austria Beteiligungsgesellschaft mbH	23.9692 %	23.9692 %
Landesbank Baden-Württemberg	15.9795 %	
Landeskreditbank Baden-Württemberg Förderbank	7.9897 %	
Share capital	**100.0000 %**	**100.0000 %**

Because of its competence as a housing bank, Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft has been appointed by the state of Vorarlberg to administer the state housing construction fund. The Bank pays the state of Vorarlberg a liability fee of EUR 1,453,000 for its public guarantee (2014: EUR 1,453,000). The Group is not in a permanent business relationship with Austria Beteiligungsgesellschaft mbH. Numerous transactions typical of a banking relationship have been conducted with Landesbank Baden-Württemberg.

Business relationship with state-related companies

in '000 EUR	31.12.2015	31.12.2014
Loans and advances to customers	62,987	68,076
Receivables	**62,987**	**68,076**
Amounts owed to customers	70,419	38,963
Liabilities	**70,419**	**38,963**

Transactions with state-related companies include loans and credits, business current accounts and time deposits, and a security designated as L&R. These transactions were concluded at standard market conditions.

Income and expenses from state-related companies

in '000 EUR	2015	2014
Interest income	646	269
Interest expenses	–190	–309
Fee and commission income	187	171
Total income/expenses from state-related companies	**643**	**131**

There were no doubtful debts due from related parties in financial year 2015 or the comparative period. Therefore, neither provisions nor expenses were required for impairment or write-downs on debts due from related parties.

(53) SHARE-BASED PAY ARRANGEMENTS

No options for participation certificates or shares were outstanding in the reporting period.

(54) HUMAN RESOURCES

	2015	2014
Full-time salaried staff	640	637
Part-time salaried staff	80	75
Apprentices	7	8
Full-time other employees	2	3
Average number of employees	**729**	**723**

(55) SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Rating of Hypo Landesbank Vorarlberg
As a result of the HETA moratorium, the rating agency Moody's downgraded the state of Carinthia in March 2015. At the same time, Hypo Landesbank Vorarlberg and Hypo Tirol were placed "under review" and threatened with a reduction in the rating. On 7 May 2015, Moody's downgraded Hypo Landesbank Vorarlberg's main rating from "A2" negative to "Baa1" negative. Hypo Tirol's rating was also downgraded.

This was due firstly to the rating agency's concern that the wind-down of HETA and the resulting liability issues could have negative effects on the Bank's capital adequacy and secondly to the changed rating methodology. As a result, banks owned publicly (by states/countries) will no longer receive an uplift in the future. Instead, the regulations of the Austrian Federal Act on the Restructuring and Resolution of Banks (BaSAG) will become more important.

On 16 October 2015, the rating agency Standard & Poor's (S&P) announced a new rating for Hypo Landesbank Vorarlberg. The Bank was given a credit rating of "A-" for non-current liabilities and "A-2" for current liabilities, with a stable outlook. With an "A-" rating, Hypo Landesbank Vorarlberg is in the "upper medium grade" or the "investment grade" category and is therefore one of the bestrated banks in Austria. This rating assists the Bank's access to the planned refinancing on the capital market, which will be important in 2016/17.

S&P attributes Hypo Landesbank Vorarlberg's good performance firstly to the stable economic situation and the sustainable, successful business model. Secondly, a positive effect comes from the good credit rating of the state of Vorarlberg, which subjected itself to a professional rating by S&P for the first time as the Bank's majority shareholder. The long-term rating of the state is "AA+", the short-term rating "A-1+", and the outlook is stable.

Debt moratorium at HETA
By resolution of the Austrian National Council on 8 July 2014, Hypo Alpe-Adria-Bank International AG was transformed into a privately organised wind-down unit without general state liability (Heta Asset Resolution AG). The Austrian financial market authority (FMA) initiated the wind-down of HETA on 1 March 2015 on the basis of the "Federal Act on the Restructuring and Wind-Down of Banks" (BaSAG) in force since 1 January 2015. HETA is the first case of a wind-down under BaSAG.

As part of a moratorium, a payment freeze, or a temporary deferral of HETA's liabilities to its creditors, was declared until 31 May 2016. This also includes HETA's liabilities to Pfandbriefbank of EUR 1,238,167,000 and, among other things, a promissory note loan of EUR 30,000,000 granted to HETA by Hypo Landesbank Vorarlberg.

HETA is not permitted to service its liabilities until the end of the moratorium. In the event of insolvency on the part of Pfandbriefbank, the Pfandbriefstelle Act means that the other Hypo Banks and their guarantors will be jointly liable for its liabilities, so all Hypo-Banks and their guarantors – including Hypo Landesbank Vorarlberg – were required over the course of 2015 to come to an arrangement to offset any liquidity squeezes and provide the required funds for servicing Pfandbriefbank's obligations. In order to stabilise Pfandbriefbank, the member banks came to an agreement regarding funding and payment settlement. It is noted here that there is no direct connection between Hypo Landesbank Vorarlberg and HETA under company law.

For the existing receivables from HETA – including the liquidity expected to be made available for Pfandbriefbank – Hypo Landesbank Vorarlberg has already made corresponding provisions in the results for 2014. Assuming that the guarantee of the state of Carinthia is valid and (at least partially) recoverable, a valuation allowance totalling EUR 15,000,000 (2014: EUR 12,000,000) was recognised on the promissory note loan at HETA. A 50 % valuation allowance was recognised on the payments made to Pfandbriefbank, which equates to EUR 20,992,000 (2014: EUR 0). A provision of EUR 17,758,000 (2014: EUR 36,000,000) was recognised for the liquidity still to be provided. On the basis of ECB requirements, Hypo Landesbank Vorarlberg increased the risk provision for HETA and Pfandbriefbank from 40 % to 50 % in the second quarter of 2015.

Events of material importance after the reporting date
The moratorium imposed on HETA Asset Resolution AG by the FMA resulted in a temporary deferral of HETA's liabilities to its creditors. HETA is not permitted to make any payments to its creditors until 31 May 2016. On 21 January 2016, Kärntner Ausgleichszahlungs-Fonds (Carinthian compensation fund, KAF) submitted an offer to acquire HETA's debts at a discount. The creditors of HETA bonds with Carinthian state guarantees were offered a rate of 75 %, while creditors that hold subordinated debt securities are to receive only 30 %.

The state of Vorarlberg accepted the offer and a majority of shareholders of Hypo Landesbank Vorarlberg approved it. The other Austrian Landes-Hypothekenbanken and the associated Pfandbriefbank likewise accepted the offer. A decision from all creditors regarding acceptance or rejection of this offer was required by the end of the offer period on 11 March 2016. The offer could only be successful if at least two thirds (according to total receivables) approved it.

In early March, the Minister of Finance Dr Hans Jörg Schelling improved the offer: creditors accepting the offer to repurchase state-guaranteed HETA bonds could invest the 75 % in a government bond that would pay out 100 % after 18 years.

The repurchase offer was rejected by the majority of creditors. At the present time, it is not possible to state what will happen next. However, the Managing Board assumes that the Ministry of Finance and Carinthia will continue to work on a solution up to the end of the moratorium on 31 May 2016. A debt haircut (bail-in) by the FMA is expected soon, which is expected to make the state of Carinthia's guarantees effective.

Hypo Landesbank Vorarlberg is also well equipped for this situation, as it has sufficient liquidity and already recognised appropriate risk provisions for HETA in the 2014 balance sheet. The Managing Board does not currently expect the 2016 results to suffer.

E. SEGMENT REPORTING

Reporting by business segment

in '000 EUR		Corporate Customers	Private Customers	Financial Markets	Corporate Center	Total
Net interest income	2015	87,541	35,498	22,704	37,718	183,461
	2014	80,136	31,293	28,113	37,872	177,414
Loan loss provisions	2015	–7,895	–256	4,380	–19,044	–22,815
	2014	–15,992	336	–11,837	–54,202	–81,695
Net fee and commission income	2015	12,638	19,725	1,885	2,318	36,566
	2014	12,170	17,717	3,184	2,553	35,624
Result from hedge relationships	2015	0	0	869	0	869
	2014	0	0	646	0	646
Net trading result	2015	–10,545	2,048	9,407	110	1,020
	2014	1,991	1,388	27,317	–52	30,644
Result from other financial instruments	2015	235	0	15,225	111	15,571
	2014	875	0	162	24	1,061
Administrative expense	2015	–32,747	–39,488	–8,828	–11,399	–92,462
	2014	–30,448	–41,291	–9,651	–10,711	–92,101
Other income	2015	1,282	1,863	0	14,364	17,509
	2014	1,222	451	12	14,919	16,604
Other expenses	2015	–8,371	–3,070	–6,916	–19,624	–37,981
	2014	–5,965	–3,783	–6,891	–16,952	–33,591
Result from equity consolidation	2015	0	0	0	1,172	1,172
	2014	0	0	0	–328	–328
Operating result before change in own credit risk	**2015**	**42,138**	**16,320**	**38,726**	**5,726**	**102,910**
	2014	**43,989**	**6,111**	**31,055**	**–26,877**	**54,278**
Result from change in own credit risk	2015	0	0	18,236	0	18,236
	2014	0	0	–299	0	–299
Earnings before taxes	**2015**	**42,138**	**16,320**	**56,962**	**5,726**	**121,146**
	2014	**43,989**	**6,111**	**30,756**	**–26,877**	**53,979**
Assets	2015	5,698,538	1,957,612	4,503,012	1,743,249	13,902,411
	2014	5,567,835	1,847,883	5,039,457	1,730,317	14,185,492
Liabilities and shareholders' equity	2015	2,339,442	2,917,967	7,904,646	740,356	13,902,411
	2014	2,262,352	2,876,163	8,381,049	665,928	14,185,492
Liabilities (incl. own issues)	2015	1,942,172	2,831,054	7,672,730	487,314	12,933,270
	2014	1,863,592	2,782,240	8,168,590	484,214	13,298,636

For the purposes of business management, the Group is organised into business units according to customer and product groups and has the four reportable business segments described below. No business segments have been combined to form these reportable business segments. The management monitors the business units' earnings before taxes separately in order to make decisions on the allocation of resources and to determine the profitability of the units. The segments' performance is assessed on the basis of earnings before taxes and measured in accordance with earnings before taxes in the consolidated financial statements.

Internal reporting is carried out according to these segments on the basis of both the Austrian Corporate Code (UGB) and International Financial Reporting Standards (IFRS). For this reason, no separate reconciliation is required. The liabilities shown in the segments include liabilities, provisions and social capital as well as social capital as well as supplementary capital. Revenue is not calculated per product and service or for groups of similar products and services because of the inordinately high implementation costs that would be required to ascertain this data.

Net interest income is determined per segment on the basis of the internationally accepted Schierenbeck market interest rate method. The effective interest rate is compared to a benchmark interest rate with regard to both receivables and liabilities. The resulting margin contribution is credited to the individual segments. The structure contribution determined from the maturity transformation is assigned to the Financial Markets segment. For this reason, it is not possible to show interest income and interest expenses separately. As the income and expenses per segment are determined directly, there are no transactions or allocations between the segments. In the Corporate Centre segment, an amount of EUR 34,554,000 (2014: EUR 34,593,000) was included in assets from consolidation according to the equity method.

Corporate Customers
The Corporate Customers segment comprises customers active in the commercial, industrial and trade sectors. Both large customers and small- and medium-sized enterprises are covered by this segment. In addition, income and expenses arising in connection with business relationships with public institutions (federal, state and local governments) are recognised in this segment. Customers of the St. Gallen branch are also assigned to this segment irrespective of customer type or sector. However, self-employed persons whose businesses do not exceed the size of a sole proprietorship are not included. With regard to product groups, this segment includes loans, credits, cash advances, current accounts, demand deposits, term deposits and savings deposits vis-à-vis the above customer groups. Net fee and commission income also includes the income from custodian business with these customer groups.

Private Customers
This segment covers all employees (private households) and some self-employed persons (freelancers). This segment does not include the private households and freelancers of the St. Gallen branch, as these are all covered by the Corporate Customers segment. In addition, earnings contributions from insurance companies and pension funds are also counted towards this segment. This segment does not include private persons closely associated with a business (Corporate Customers) as an owner or shareholder. With regard to product groups, this segment includes loans, credits, cash advances, current accounts, demand deposits, term deposits and savings deposits vis-à-vis the above customer groups. Net fee and commission income also includes the income from custodian business with these customer groups.

Financial Markets
This segment includes financial assets, trading assets, derivative financial instruments, issuing business and profit or loss from interbank relations. The profit or loss from the custodian bank function is also allocated to this segment. With regard to product groups, this segment primarily includes financial assets in the form of securities and occasionally promissory note loans. Similarly, funds raised from issues of securities and a few large-volume term deposits are also allocated to the Financial Markets segment. Net fee and commission income also includes the income from custodian business in connection with the custodian bank function.

Corporate Centre
All banking transactions with our subsidiaries and associated companies are reported in this segment. Products and income of our online branch hypodirekt.at are likewise recognised in this segment. In addition, income from activities that do not constitute banking business is also allocated to this segment, such as leasing business, insurance brokerage, leasing and utilisation of real estate, real estate brokerage, facility management services, other services and income from subsidiaries and investments.

Recognition and reversal of impairment

in '000 EUR		Corporate Customers	Private Customers	Financial Markets	Corporate Center	Total
Recognition of impairments	2015	–29,124	–3,465	–15,380	–32,476	–80,445
	2014	–75,307	–2,602	–14,442	–22,356	–114,707
Reversals of impairments	2015	39,372	3,177	8,279	3,412	54,240
	2014	22,568	2,528	2,894	3,339	31,329

Reporting by region

in '000 EUR		Austria	Other countries	Total
Net interest income	2015	155,284	28,177	183,461
	2014	148,968	28,446	177,414
Loan loss provisions	2015	–24,942	2,127	–22,815
	2014	–60,941	–20,754	–81,695
Net fee and commission income	2015	35,902	664	36,566
	2014	34,900	724	35,624
Result from hedge relationships	2015	869	0	869
	2014	646	0	646
Net trading result	2015	179	841	1,020
	2014	30,171	473	30,644
Result from other financial instruments	2015	20,485	–4,914	15,571
	2014	4,261	–3,200	1,061
Administrative expenses	2015	–82,503	–9,959	–92,462
	2014	–82,743	–9,358	–92,101
Other income	2015	9,954	7,555	17,509
	2014	7,762	8,842	16,604
Other expenses	2015	–23,887	–14,094	–37,981
	2014	–22,593	–10,998	–33,591
Result from equity consolidation	2015	1,172	0	1,172
	2014	–328	0	–328
Operating result before change in own credit risk	**2015**	**92,513**	**10,397**	**102,910**
	2014	**60,103**	**–5,825**	**54,278**
Result from change in own credit risk	2015	18,236	0	18,236
	2014	–299	0	–299
Earnings before taxes	**2015**	**110,749**	**10,397**	**121,146**
	2014	**59,804**	**–5,825**	**53,979**
Assets	2015	12,274,078	1,628,333	13,902,411
	2014	12,678,515	1,506,977	14,185,492
Liabilities and shareholders' equity	2015	13,734,011	168,400	13,902,411
	2014	14,045,938	139,554	14,185,492
Liabilities (incl. own issues)	2015	12,832,938	100,332	12,933,270
	2014	13,195,663	102,973	13,298,636

F. SPECIAL DISCLOSURES ON FINANCIAL INSTRUMENTS

(56) EARNINGS BY MEASUREMENT CATEGORY

Earnings by category L&R

in '000 EUR	2015	2014
Interest and similar income	189,826	200,519
Net interest income	**189,826**	**200,519**
Depreciation, amortisation and impairment	–70,262	–73,258
Write-ups and impairment reversals	35,944	26,810
Realised losses	–14,930	–1,642
Realised gains	6,703	4,433
Net result on hedge accounting	2,927	–1,552
Total	**150,208**	**155,310**

Earnings by category HFT

in '000 EUR	2015	2014
Interest and similar income	31,717	26,027
Net interest income	**31,717**	**26,027**
Depreciation, amortisation and impairment	–42	–28
Write-ups and impairment reversals	26	93
Realised losses	0	–2
Realised gains	0	13
Trading results	20,316	–1,552
Remeasurement of derivatives	–125,850	26,739
Total	**–73,833**	**51,290**

Earnings by category AFV

in '000 EUR	2015	2014
Interest and similar income	9,273	11,183
Net interest income	**9,273**	**11,183**
Depreciation, amortisation and impairment	–57,693	–8,160
Write-ups and impairment reversals	4,783	56,704
Realised losses	–958	–10,251
Realised gains	0	940
Total	**–44,595**	**50,416**

Earnings by category AFS

in '000 EUR	2015	2014
Interest and similar income	23,246	25,142
Net interest income	**23,246**	**25,142**
Depreciation, amortisation and impairment	–1,331	–285
Write-ups and impairment reversals	6,859	629
Realised losses	–238	–268
Realised gains	732	165
Net result on hedge accounting	1,051	–836
Total	**30,319**	**24,547**
Gains/losses recognised in other comprehensive income	–8,623	3,565

Earnings by category HTM

in '000 EUR	2015	2014
Interest and similar income	27,129	31,035
Net interest income	**27,129**	**31,035**
Depreciation, amortisation and impairment	–97	–256
Write-ups and impairment reversals	404	703
Realised losses	–172	–749
Realised gains	229	177
Total	**27,493**	**30,910**

Earnings by category LAC

in '000 EUR	2015	2014
Interest and similar expenses	–55,641	–56,258
Net interest income	**–55,641**	**–56,258**
Write-downs and impairment	–323	–462
Write-ups and reversed impairments	70	7
Realised losses	–38	–5
Realised gains	14,492	611
Net result from hedging	–3,109	3,034
Total	**–44,549**	**–53,073**

Earnings by category LHFT

in '000 EUR	2015	2014
Interest and similar expenses	–50,272	–48,379
Net interest income	**–50,272**	**–48,379**
Measurement result – derivatives	–9,965	–12,079
Total	**–40,307**	**–60,458**

Earnings by category LAFV

in '000 EUR	2015	2014
Interest and similar expenses	8,183	–11,855
Net interest income	**8,183**	**–11,855**
Write-downs and impairment	–8,875	–95,690
Write-ups and reversed impairments	137,367	64,134
Realised losses	–17	–413
Realised gains	21,998	10,195
Total	**158,656**	**–33,629**

(57) DISCLOSURES ON FAIR VALUE

in '000 EUR		31.12.2014	
	(Notes)	Fair value	Carrying amount
Assets			
Cash and balances with central banks	(15)	470,733	470,699
Loans and advances to banks	(16)	891,450	883,340
Loans and advances to customers	(17)	9,686,299	8,954,412
Positive market values of hedges	(18)	76,116	76,116
Trading assets and derivatives	(19)	595,660	595,660
Financial assets – at fair value	(20)	1,123,392	1,123,392
Financial assets – available for sale	(21)	721,149	721,149
Financial assets – held to maturity	(22)	1,207,109	1,114,333
Liabilities			
Amounts owed to banks	(31)	1,021,882	1,026,928
Amounts owed to customers	(32)	4,692,022	4,662,797
Liabilities evidenced by certificates	(33)	2,282,454	2,313,778
Negative market values of hedges	(34)	162,475	162,475
Trading liabilities and derivatives	(35)	261,761	261,761
Financial liabilities – at fair value	(36)	4,403,186	4,403,186
Supplementary capital	(41)	314,250	327,415

in '000 EUR		31.12.2015	
	(Notes)	Fair value	Carrying amount
Assets			
Cash and balances with central banks	(15)	716,010	712,491
Loans and advances to banks	(16)	651,094	650,129
Loans and advances to customers	(17)	9,686,299	9,061,358
Positive market values of hedges	(18)	76,370	76,370
Trading assets and derivatives	(19)	461,641	461,641
Financial assets – at fair value	(20)	938,014	938,014
Financial assets – available for sale	(21)	745,426	745,426
Financial assets – held to maturity	(22)	1,045,790	987,685
Liabilities			
Amounts owed to banks	(31)	1,147,581	1,144,487
Amounts owed to customers	(32)	5,012,009	4,995,818
Liabilities evidenced by certificates	(33)	2,355,400	2,402,602
Negative market values of hedges	(34)	160,947	160,947
Trading liabilities and derivatives	(35)	239,627	239,627
Financial liabilities – at fair value	(36)	3,464,357	3,464,357
Supplementary capital	(41)	365,360	376,902

Loans and advances to banks primarily relate to interbank transactions, whose current carrying amounts largely correspond to the fair value. The fair value of fixed-interest transactions with banks was determined on the basis of expected future cash flows.

In the case of loans and advances to customers, the fair value of the fixed-interest transactions was likewise determined on the basis of expected future cash flows taking current market interest rates into account.

In the case of financial assets – held to maturity (HTM), the fair value was determined on the basis of available market prices and quotes. If no reliable market price was available for an asset as of the reporting date, the fair value was determined on the basis of market prices of similar financial instruments with comparable yields, credit risks and maturities.

As amounts owed to banks only relate to interbank transactions, the carrying amount shown largely equates to fair value. The fair value of fixed-interest transactions was determined on the basis of expected future cash flows taking current market interest rates into account.

The repayment amount recognised for variable-rate amounts owed to customers without agreed maturities largely also corresponds to the current market value. The fair value of fixed-interest positions was determined on the basis discounted cash flows.

The fair value of liabilities evidenced by certificates and supplementary capital was recognised on the basis of available market prices and quotes. If no market prices were available for this category, the fair value was measured on the basis of discounted future cash flows taking current market interest rates into account.

To the extent available, the fair values reported in the financial statements were determined exclusively using measurement techniques based on prices of similar instruments in observable market transactions.

Fair value hierarchy for financial instruments not recognised at fair value

in '000 EUR 31.12.2014	Level 1	Level 2	Level 3	Total
Cash and balances with central banks	470,733	0	0	470,733
Loans and advances to banks	578,661	45,827	266,962	891,450
Loans and advances to customers	329,758	41,081	9,130,817	9,501,656
Financial assets – held to maturity	1,195,614	0	11,495	1,207,109
Assets measured at amortised cost	**2,574,766**	**86,908**	**9,409,274**	**12,070,948**
Liabilities to banks	0	0	1,021,882	1,021,882
Amounts owed to customers	0	0	4,692,022	4,692,022
Liabilities evidenced by certificates	2,078,747	201,554	2,153	2,282,454
Supplementary capital	245,037	16,041	53,172	314,250
Liabilities measured at amortised cost	**2,323,784**	**217,595**	**5,769,229**	**8,310,608**

in '000 EUR 31.12.2015	Level 1	Level 2	Level 3	Total
Cash and balances with central banks	716,010	0	0	716,010
Loans and advances to banks	414,366	4,160	232,568	651,094
Loans and advances to customers	306,088	23,527	9,356,684	9,686,299
Financial assets – held to maturity	1,035,371	0	10,419	1,045,790
Assets measured at amortised cost	**2,471,835**	**27,687**	**9,599,671**	**12,099,193**
Liabilities to banks	0	0	1,147,581	1,147,581
Amounts owed to customers	0	0	5,012,009	5,012,009
Liabilities evidenced by certificates	2,181,954	0	173,446	2,355,400
Supplementary capital	313,320	36,000	16,040	365,360
Liabilities measured at amortised cost	**2,495,274**	**36,000**	**6,349,076**	**8,880,350**

The measurement techniques for financial instruments not carried at fair value do not usually differ from those use for financial instruments that are carried at fair value. The measurement techniques used are described in more detail in Note (3d). Changes and enhancements of measurement techniques are also outlined there.

Fair value hierarchy for financial instruments recognised at fair value

in '000 EUR 31.12.2014	Level 1	Level 2	Level 3	Total
Derivative hedging instruments	0	76,116	0	76,116
Trading assets and derivatives	1,155	494,310	100,195	595,660
Financial assets – at fair value	195,919	603,795	323,678	1,123,392
Financial assets – available for sale	685,579	0	35,570	721,149
Total assets	**882,653**	**1,174,221**	**459,443**	**2,516,317**
Reclassification of assets from level 2 and 3 to level 1	18,360	–10,198	–8,162	0
Reclassification of assets from level 1 and 3 to level 2	0	262,797	–262,797	0
Derivative hedging instruments	0	153,196	9,279	162,475
Trading liabilities and derivatives	0	258,099	3,662	261,761
Financial liabilities – at fair value	2,005,159	361,878	2,036,149	4,403,186
Total liabilities	**2,005,159**	**773,173**	**2,049,090**	**4,827,422**
Reclassification of liabilities from level 2 and 3 to level 1	594,525	–594,525	0	0
Reclassification of liabilities from level 1 and 3 to level 2	0	22,966	–22,966	0

in '000 EUR 31.12.2015	Level 1	Level 2	Level 3	Total
Derivative hedging instruments	0	76,009	361	76,370
Trading assets and derivatives	675	389,585	71,381	461,641
Financial assets – at fair value	107,461	464,507	366,046	938,014
Financial assets – available for sale	704,771	0	40,655	745,426
Total assets	**812,907**	**930,101**	**478,443**	**2,221,451**
Reclassification of assets from level 2 and 3 to level 1	5,047	–5,047	0	0
Reclassification of assets from level 1 and 3 to level 2	–10,223	66,206	–55,983	0
Derivative hedging instruments	0	151,281	9,666	160,947
Trading liabilities and derivatives	0	231,614	8,013	239,627
Financial liabilities – at fair value	1,372,596	310,603	1,781,158	3,464,357
Total liabilities	**1,372,596**	**693,498**	**1,798,837**	**3,864,931**
Reclassification of liabilities from level 2 and 3 to level 1	0	0	0	0
Reclassification of liabilities from level 1 and 3 to level 2	0	0	0	0

In the case of financial assets and liabilities recognised in the financial statements on a recurring basis, the Group determines whether transfers have taken place between hierarchy levels by examining their classification – based on the input parameter of the lowest level that is essential for fair value measurement – at the end of each reporting period. To do so, the Group uses a decision tree defined in the internal measurement guidelines.

The Group has one valuation committee for financial instruments and one valuation committee for real estate. These committees specify guidelines and procedures for recurring and non-recurring fair value measurements. The Head of Asset and Liability Management, the Head of Group Risk Controlling, the Head of Debt Capital Markets and a financial mathematician belong to the valuation committee for financial instruments. Once a year, the valuation committee examines the performance of financial instruments that need to be remeasured in accordance with the Group's accounting policies. The valuation committee reviews the key input factors that were applied during the last measurement by comparing the results of the measurement calculations with external sources in order to assess whether the respective changes and therefore the internal input parameters are plausible. If necessary, the valuation committee will decide to adjust or expand the internal input factors in order to attain the goal of ensuring the most objective measurement of financial instruments possible. The valuation committee for real estate comprises a managing director from Hypo Immobilien & Leasing GmbH, a managing director from Hypo Vorarlberg Immo Italia srl, the Head of Accounting from Hypo Landesbank Vorarlberg and an employee from the property appraisal department. External appraisers are brought in to value important properties. The valuation committee decides annually whether external appraisers are to be consulted. Following meetings with external appraisers, the valuation committee for real estate decides which measurement techniques and input factors are to be used in each individual case.

The reclassification of assets from Level 2 to Level 1 comprises one (2014: one) AFV category financial instrument with a carrying value of EUR 5,047,000 (2014: EUR 10,198,000). Instead of a derived market valuation, OTC secondary market price sources now available from Bloomberg were used to measure these instruments.

The reclassification of assets from Level 3 to Level 1 comprises one (2014: one) AFS category financial instrument with a carrying value of EUR 8,163,000. Instead of an internal measurement model, OTC secondary market price sources now available from Bloomberg were used to measure these instruments.

The reclassification of assets from Level 1 to Level 2 in 2015 comprised one (2014: zero) AFV category financial instrument with a carrying value of EUR 10,223,000 (2014: EUR 0). Because no OTC secondary market price was available from Bloomberg, a derived market valuation was used.

The reclassification of assets from Level 3 to Level 2 comprises seven (2014: nine) AFV category financial instruments with a carrying value of EUR 54,002,000 (2014: EUR 243,157,000) and one (2014: nine) HFT category derivative with a carrying value of EUR 1,981,000 (2014: EUR 19,640,000). The AFV financial instruments were reclassified because the credit spread was calculated on the basis of an external rating instead of an internal rating like in 2014. The carrying value at the end of the previous year was EUR 59,576,000 (2014: EUR 220,537,000). The HFT derivatives were reclassified because of the use of available OTC secondary market price sources from Bloomberg. The carrying value at the end of the previous year was EUR 2,999,000 (2014: EUR 11,028,000).

The reclassification of assets from Level 1 to Level 3 comprises one (2014: one) AFS category financial instrument with a carrying value of EUR 7,001,000 (2014: EUR 1,434,000). The market price used in the previous year was replaced with an internal measurement model, as no market data were available for the financial instrument and derivation on the basis of the composition of the fund is not suitable.

The reclassification of assets from Level 2 to Level 3 in 2015 comprised six loans and one security of the AFV category. The loans were assigned to Level 3 because an internal rating was used instead of an external one. The carrying value of the reclassified AFV loans is EUR 121,701,000 (2014: EUR 0). To measure the securities, an internal measurement model was used instead of the DCF method on the basis of derived input factors observable on the market. The carrying value of the securities reclassified from Level 2 to Level 3 in 2015 is EUR 3,418,000 (2014: EUR 0).

The reclassification of liabilities from Level 2 to Level 1 in 2014 comprised one LAFV category financial instrument with a carrying value of EUR 594,525,000. Directly available OTC secondary market price sources from Bloomberg were used to measure high-volume issue increase of the internal DCF method.

The reclassification of liabilities from Level 3 to Level 2 in 2014 comprised three LAFV category financial instruments with a carrying value of EUR 22,965,000 and one HFT category derivative amounting to EUR 1,000. The measurement of these issues was switched from the internal measurement model to the internal DCF method on the basis of derived input factors observable on the market.

The reclassification of liabilities from Level 2 to Level 3 comprises one LAFV category derivative (2014: one financial instrument) with a carrying value of EUR 785,000 (2014: EUR 25,493,000). The reclassification was necessary because no input factors observable on the market were available for the derivative, and the measurement was therefore made on the basis of a counterparty market value. The carrying value at the end of the previous year was EUR 866,000 (2014: EUR 23,925,000).

Fair value hierarchy for financial assets – breakdown by class

in '000 EUR 31.12.2014	Level 1	Level 2	Level 3	Total
Interest rate swaps	0	74,749	0	74,749
Cross-currency swaps	0	1,367	0	1,367
Derivative hedging instruments	**0**	**76,116**	**0**	**76,116**
Interest rate swaps	0	401,532	89,768	491,300
Cross-currency swaps	0	87,268	0	87,268
Interest rate options	0	2,180	1,798	3,978
Currency options	0	55	0	55
Foreign exchange forwards	0	3,275	8,629	11,904
Other derivatives	469	0	0	469
Investment funds	686	0	0	686
Trading assets and derivatives	**1,155**	**494,310**	**100,195**	**595,660**
Bonds	189,864	318,878	47,042	555,784
Investment funds	6,055	0	0	6,055
Other	0	0	5,633	5,633
Loans and credits	0	284,917	271,003	555,920
Financial assets – at fair value	**195,919**	**603,795**	**323,678**	**1,123,392**
Bonds	660,137	0	12,042	672,179
Investment funds	17,280	0	1,434	18,714
Shares	0	0	110	110
Other	8,162	0	21,984	30,146
Financial assets – available for sale	**685,579**	**0**	**35,570**	**721,149**

in '000 EUR 31.12.2015	Level 1	Level 2	Level 3	Total
Interest rate swaps	0	75,127	79	75,206
Cross-currency swaps	0	882	282	1,164
Derivative hedging instruments	**0**	**76,009**	**361**	**76,370**
Interest rate swaps	0	264,817	65,746	330,563
Cross-currency swaps	0	120,695	0	120,695
Interest rate options	0	1,333	1,438	2,771
Foreign exchange forwards	0	2,740	4,197	6,937
Investment funds	675	0	0	675
Trading assets and derivatives	**675**	**389,585**	**71,381**	**461,641**
Bonds	107,461	277,439	45,046	429,946
Other	0	0	5,415	5,415
Loans and credits	0	187,068	315,585	502,653
Financial assets – at fair value	**107,461**	**464,507**	**366,046**	**938,014**
Bonds	701,680	0	9,132	710,812
Investment funds	3,091	0	2,830	5,921
Shares	0	0	110	110
Other	0	0	28,583	28,583
Financial assets – available for sale	**704,771**	**0**	**40,655**	**745,426**

Fair value hierarchy for financial liabilities – breakdown by class

in '000 EUR 31.12.2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate swaps	0	128,499	218	128,717
Cross-currency swaps	0	24,697	9,061	33,758
Derivative hedging instruments	**0**	**153,196**	**9,279**	**162,475**
Interest rate swaps	0	195,806	1,188	196,994
Cross-currency swaps	0	51,544	0	51,544
Interest rate options	0	2,133	561	2,694
Currency options	0	0	55	55
Foreign exchange forwards	0	8,616	1,614	10,230
Other derivatives	0	0	244	244
Trading liabilities and derivatives	**0**	**258,099**	**3,662**	**261,761**
Deposits	0	0	744,065	744,065
Bonds	2,005,159	339,728	1,253,497	3,598,384
Supplementary capital	0	22,150	38,587	60,737
Financial liabilities – at fair value	**2,005,159**	**361,878**	**2,036,149**	**4,403,186**

in '000 EUR 31.12.2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest rate swaps	0	123,599	241	123,840
Cross-currency swaps	0	27,682	9,425	37,107
Derivative hedging instruments	**0**	**151,281**	**9,666**	**160,947**
Interest rate swaps	0	146,360	3,105	149,465
Cross-currency swaps	0	79,267	2,230	81,497
Interest rate options	0	1,876	248	2,124
Foreign exchange forwards	0	4,111	2,215	6,326
Other derivatives	0	0	215	215
Trading liabilities and derivatives	**0**	**231,614**	**8,013**	**239,627**
Deposits	0	0	707,561	707,561
Bonds	1,372,596	289,951	1,037,792	2,700,339
Supplementary capital	0	20,652	35,805	56,457
Financial liabilities – at fair value	**1,372,596**	**310,603**	**1,781,158**	**3,464,357**

Changes in Level 3 financial instruments

in '000 EUR 2014	Opening balance	Purchases/ issues	Sales/re-payments	Addition from Level 1 and Level 2	Reclassification to Level 1 and Level 2	Changes in fair value	Closing balance
Trading assets and derivatives	74,504	0	0	0	–11,028	36,719	100,195
Financial assets – at fair value	540,527	10,000	–10,036	0	–220,537	3,724	323,678
Financial assets – available for sale	48,275	121	–7,835	1,434	–8,163	1,738	35,570
Total assets	**663,306**	**10,121**	**–17,871**	**1,434**	**–239,728**	**42,181**	**459,443**
Derivative hedging instruments	198	0	0	0	0	9,081	9,279
Trading liabilities and derivatives	15,610	0	0	0	–28	–11,920	3,662
Financial liabilities – at fair value	2,115,321	0	–152,426	25,493	–22,440	70,201	2,036,149
Total liabilities	**2,131,129**	**0**	**–152,426**	**25,493**	**–22,468**	**67,362**	**2,049,090**

TEUR 2015	Opening balance	Purchases/ issues	Sales/re-payments	Addition from Level 1 and Level 2	Reclassification to Level 1 and Level 2	Changes in fair value	Closing balance
Derivative hedging instruments	0	0	0	0	0	361	361
Trading assets and derivatives	100,195	0	0	0	–2,999	–25,815	71,381
Financial assets – at fair value	323,678	0	–4,994	125,119	–59,576	–18,181	366,046
Financial assets – available for sale	35,570	1,579	–3,708	7,001	0	213	40,655
Total assets	**459,443**	**1,579**	**–8,702**	**132,120**	**–62,575**	**–43,422**	**478,443**
Derivative hedging instruments	9,279	0	0	0	0	387	9,666
Trading liabilities and derivatives	3,662	0	0	785	0	3,566	8,013
Financial liabilities – at fair value	2,036,149	41,000	–273,342	0	0	–22,649	1,781,158
Total liabilities	**2,049,090**	**41,000**	**–273,342**	**785**	**0**	**–18,696**	**1,798,837**

The changes in fair value given relate only to financial instruments that were still held in Level 3 at the end of the reporting period. The changes in fair value shown in the tables above represent gains/losses of financial instruments that were allocated to Level 3 at the end of the year. The changes in the fair value of trading assets and derivatives of EUR –25,815,000 (2014: EUR 36,719,000) were recognised under the net trading result in the income statement. The change in the fair value of financial assets – at fair value of EUR –18,181,000 (2014: EUR 3,724,000) were recognised under the net trading result in the income statement. The change in the fair value of financial assets – available for sale of EUR 213,000 (2014: EUR 1,738,000) was recognised through profit or loss in the income statement at EUR 234,000 (2014: EUR 910,000) and in other comprehensive income at EUR –21,000 (2014: EUR 828,000). The changes in the fair value of derivative hedging instruments, which were recognised on the liabilities side at EUR 387,000 (2014: EUR 9,081,000), are included in the net result on hedge accounting. The changes in the fair value of trading liabilities and derivatives of EUR 3,566,000 (2014: EUR –11,920,000) were recognised under the net trading result. The changes in the fair value of financial liabilities – at fair value of EUR –22,649,000 (2014: EUR 70,201,000) were also recognised under the net trading result.

Disclosures regarding sensitivity of internal input factors

in '000 EUR	Positive fair value change with alternative measurement parameters		Negative fair value change with alternative measurement parameters	
	31.12.2015	**31.12.2014**	**31.12.2015**	**31.12.2014**
Derivatives	402	799	–586	–1,129
Financial assets – at fair value	2,369	2,174	–2,649	–3,225
of which securities	16	24	–33	–74
of which loans and credits	2,353	2,150	–2,616	–3,151
Financial assets – available for sale	391	385	–410	–405
Financial liabilities – at fair value	–7,608	–8,813	7,608	8,813
of which issues	–5,278	–5,842	5,278	5,842
of which time deposits	–2,330	–2,971	2,330	2,971
Total	**–4,446**	**–5,455**	**3,963**	**4,054**

The internal input factor that is relevant to financial assets is derived by calculating the credit risk, expressed as credit spread. If CDS spreads are available for a counterparty, the credit risk is measured based on these available input factors. However, if a CDS spread is not observable, the credit risk is measured using the internally calculated default probability combined with the internal rating. In the case of the above sensitivity, the internal ratings were each shifted by one level in parallel.

The internal input factor that is relevant to financial liabilities is derived by determining the current issue level of private placements compared to public placements. In the case of the above sensitivity, the recognised credit spreads were each shifted in parallel by 10 basis points.

(58) DISCLOSURES ON OFFSETTING FINANCIAL INSTRUMENTS

in '000 EUR 2014	Financial assets (gross)	Recognised amounts set off (gross)	Financial assets (net)	Effect of offsetting master agreement	Collateral	Net amount
Positive market values of derivative financial instruments	657,642	0	657,642	–277,731	–311,454	68,457
Total assets	**657,642**	**0**	**657,642**	**–277,731**	**–311,454**	**68,457**
Negative market values of derivative financial instruments	424,236	0	424,236	–277,731	–131,160	15,345
Total liabilities	**424,236**	**0**	**424,236**	**–277,731**	**–131,160**	**15,345**

in '000 EUR 2015	Financial assets (gross)	Recognised amounts set off (gross)	Financial assets (net)	Effect of offsetting master agreement	Collateral	Net amount
Positive market values of derivative financial instruments	528,380	0	528,380	–251,213	–238,764	38,403
Total assets	**528,380**	**0**	**528,380**	**–251,213**	**–238,764**	**38,403**
Negative market values of derivative financial instruments	400,574	0	400,574	–251,213	–143,231	6,130
Total liabilities	**400,574**	**0**	**400,574**	**–251,213**	**–143,231**	**6,130**

(59) IMPAIRMENTS AND IMPAIRMENT REVERSALS

Recognition of impairments

in '000 EUR	2015	2014
Loans and advances to customers	–70,262	–73,258
Financial assets – available for sale	–1,331	–285
Financial assets – held to maturity	–97	–256
Total	**–71,690**	**–73,799**

Reversals of impairment

in '000 EUR	2015	2014
Loans and advances to customers	24,169	26,810
Financial assets – available for sale	6,859	629
Financial assets – held to maturity	404	703
Total	**31,432**	**28,142**

(60) RECATEGORISED ASSETS

Disclosures on securities recategorised in 2008 and 2009

No financial assets were recategorised in 2015. 65 securities with a market value of EUR 368,632,000 on the date of recategorisation and 12 securities with a market value on the date of recategorisation of EUR 360,000,000 were reclassified from the category AFS to the category L&R in 2008 and 2009 respectively. The carrying amounts and market values of all previously recategorised financial instruments were as follows on 31 December 2015.

in '000 EUR 31.12.2014	Carrying amount	Market value
Loans and advances to banks	9,978	10,000
Loans and advances to customers	37,928	38,692
Total	**47,906**	**48,692**

in '000 EUR 31.12.2014	Amortised cost	Remeasurement reserve*)
Loans and advances to banks	9,978	–15
Loans and advances to customers	37,928	–224
Total	**47,906**	**–239**

in '000 EUR 31.12.2015	Carrying amount	Market value
Loans and advances to banks	4,998	5,001
Loans and advances to customers	30,585	31,091
Total	**35,583**	**36,092**

in '000 EUR 31.12.2015	Amortised cost	Remeasurement reserve*)
Loans and advances to banks	4,998	–2
Loans and advances to customers	30,585	–175
Total	**35,583**	**–177**

*) Already adjusted for deferred taxes

The actual gains, losses, income and expenses from the reclassified financial instruments recognised in the consolidated financial statements amounted to:

in '000 EUR	2015	2014
Net interest income	112	305
Net result from financial instruments	491	–75
Taxes on income	–151	–58
Recording in AFS reserve directly in equity*	–511	318
Gain / loss after reclassification	**–59**	**490**

* adjusted for deferred tax effects

In 2015, no impairment was recognised on the securities recategorised in 2008 (2014: EUR 333,000). In 2015, impairment created in previous years amounting to EUR 636,000 (2014: EUR 344,000) was reversed following a recovery in the market and repayments at nominal value. The effect of the reversal of the remeasurement reserve as a result of maturity and the timing of the recategorised securities held is offset by the discounting of the amortised cost remeasured at the recategorisation date of the reclassified securities recorded in the net result from other financial instruments.

If the assets had not been reclassified, the following gains and losses would have resulted from continued measurement at fair value.

Simulation without recategorisation in 2008 and 2009

in '000 EUR	2015	2014
Net interest income	112	305
Net result from financial instruments	491	–75
Taxes on income	–151	–58
Recording in AFS reserve directly in equity*	84	242
Gain/loss – after reclassification	**536**	**414**

* adjusted for deferred tax effects

If the assets had not been recategorised, the main impact would have been on the adjustment of the remeasurement reserve outside profit or loss. However, this effect does not come from the securities reclassified in 2009 but the ABS products reclassified in 2008.

(61) FINANCIAL INSTRUMENTS BY CATEGORY

Financial instruments are presented according to measurement category in the corresponding notes to the balance sheet items, as we already distinguish between the measurement categories as per IAS 39 on the balance sheet.

G. FINANCIAL RISKS AND RISK MANAGEMENT

The full disclosure on the organisational structure, risk management and the risk capital situation according to CRR are posted on the internet at www.hypovbg.at.

(62) OVERALL RISK MANAGEMENT

The Bank's operations involve the following risks:

- Credit risk: This includes the counterparty default risk, as well as the risk of deteriorating credit standing. Risks may also result from the use of credit risk mitigation methods or foreign currency risks from the lending business.
- Market risks: The common characteristic of these risks is that they result from price changes in money and capital markets. Market price risks are categorised as interest rate, spread change, stock price, foreign currency or commodity risks.
- Liquidity risk: Liquidity risks can be broken down into maturity and retrieval risks, structural liquidity risk (rollover financing risk) and market liquidity risk. Maturity risk is an unplanned extension of maturities in the lending business. Retrieval risk is the risk that credit commitments are unexpectedly utilised or deposits withdrawn. As a result, a bank may no longer be able to fully meet its payment obligations. Structural liquidity risk arises from the possibility that the required roll-over financing may only be available at less favourable conditions, or not at all. Market liquidity risk is in evidence when positions can only be sold immediately by taking a loss.
- Operational risk: This includes the risk of direct or indirect losses caused by human error, process deficits, technological failure, or external influence. Operational risks also include legal risk.
- Shareholder risk: This covers items including private equity, mezzanine financing, subordinated financing and investments in funds with these components. This also includes subordinated banking securities.
- Real estate risk: This refers to the risk of fluctuations in the value of property owned by the Group. This especially includes properties which serve as collateral (including leased assets) and cannot be sold promptly to third parties as part of realisation ("foreclosed assets"). This does not include owner-occupied properties.
- Risk of excessive indebtedness: This means the risk of a solvency ratio that is too low.
- Risks from the macroeconomic environment: In the course of its activities, the Bank is exposed to macroeconomic influences that can affect profit and equity.
- Money laundering and terrorist financing: The Bank counters these risks with all available countermeasures.
- Other risks: These include above all those types of risks for which only rudimentary or no quantification methods exist. Specifically, strategic, reputation, equity, performance and business risks and risks from repayment vehicles in the lending business may be classified as other risks.

The Bank manages these risks in order to limit the overall bank risk. The Managing Board is responsible for the risk management of Hypo Landesbank Vorarlberg. Accordingly, it approves the principles of risk control and the risk measurement procedures. Additionally, it establishes the Bank's willingness to take risks and defines limits for all relevant types of risk based on the Bank's risk-absorbing capacity.

The Bank regularly reviews the effects of economic and market developments on the income statement and net assets.

The overall risk management of Hypo Landesbank Vorarlberg is based on a strict separation between Front Office and Back Office. The risk management functions of Hypo Landesbank Vorarlberg are bundled under the responsibility of the Managing Board member responsible for risk management. Risk controlling at Hypo Landesbank Vorarlberg is developed and implemented by group risk controlling. This unit measures credit risks, market risks, liquidity risks and operational risks on a group level. The independent assessment and approval of credit applications is carried out by the credit management departments for corporate and private customers.

The Bank's risk situation and the Capital Adequacy Process are addressed by the Asset & Liability Management Committee (ALM). In this committee, the Managing Board decides on market risk measurement procedures, defines interfaces between Sales and Treasury with regard to the market interest rate method, and the level of market risk and liquidity limits. In addition to the Managing Board as a whole and Corporate and Private Customers Sales, Group Risk Controlling, Controlling, and Treasury departments are also present at committee meetings.

The strategies, procedures and approaches adopted for the management of risks are documented in writing. The Bank maintains a risk management manual and a credit manual, which are available to all employees. These manuals are updated on a regular basis. Additionally, the Bank has outlined all relevant work processes in written procedures that are likewise available to all employees.

(63) MARKET RISK

The objective of the Bank's Asset & Liability Management is the optimal management of market risks. The strict separation of trading units and units and risk control ensures the objective assessment of the risks incurred and the early detection of unfavourable developments. The risks are assessed on a daily basis by Group Risk Controlling, which reports the results of the analyses to the units responsible.

The Bank maintains a small trading portfolio per Article 94 CRR with a focus on customer service.

The Bank's Asset & Liability Management is controlled via a standard reference interest rate system in line with the market interest rate method. The reference interest rate set determines the distribution of interest income and expenses among branch offices and treasury. Fixed interest rates are therefore determined annually by the Managing Board as a central controlling instrument. The selected fixed interest rates are reviewed regularly and adjusted as necessary, especially for products without contractual maturities (savings deposits and current accounts).

The Bank's measurement of market risk is based on three methods, which are all calculated centrally for the individual bank:

- Value at risk (VaR)
- Change in the present value of Bank equity in stress tests
- Simulations of structural contribution (earnings perspective)

Value at risk indicates the maximum loss at a given probability and holding period. The Bank measures value at risk using SAP software and a historical simulation with the following parameters:

Historical simulation parameters	
Historical period	250 trading days
Holding period	10 trading days
Confidence level	99 %

The VaR limit defines the maximum loss the Bank is prepared to absorb under normal market conditions. The Managing Board defines the global VaR limit on an annual basis in line with the ICAAP. In addition, limits are defined for various yield curves, currency pairs, credit spread risks and equity position risks, for example.

The Bank conducts stress tests in order to identify potential losses in the event of extreme market movements. The purpose of stress testing is to compensate for inadequacies of the value at risk concept. Stress test results for each risk type are added as absolute figures whether positive or negative to obtain an absolute worst case scenario. Stress test limits are derived from the Bank's Capital Adequacy Process calculation.

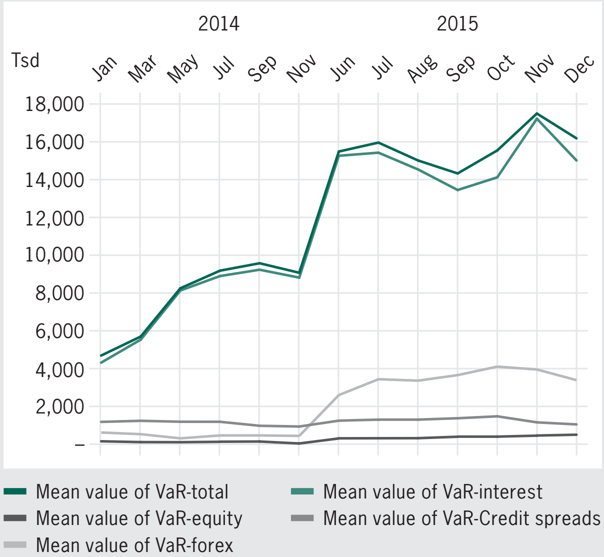
The Bank uses risk-adjusted yield curves to calculate present value key figures. In addition to the present value key figures, the Bank carries out weekly or monthly gap analyses to manage the fixed interest rates in the money market and the capital market.

Foreign currency risk is relatively small, as the Bank generally disposes of open positions. The Bank is subject to very little equity risk. Otherwise the Bank only holds shares to present sample portfolios in connection with asset management. The volume is minimal.

Interest rates in the euro zone are very low; negative interest rates cannot be ruled out, but have no significant effect on the Bank's interest rate risk.

The VaR for individual risk types developed as follows over the past two years (NB: The VaR could not be calculated in the first half of 2015 due to technical problems. The problems arose in connection with negative interest rates. In this period, market risk was controlled with other risk management tools such as gap analyses.):

Development of mean VaR

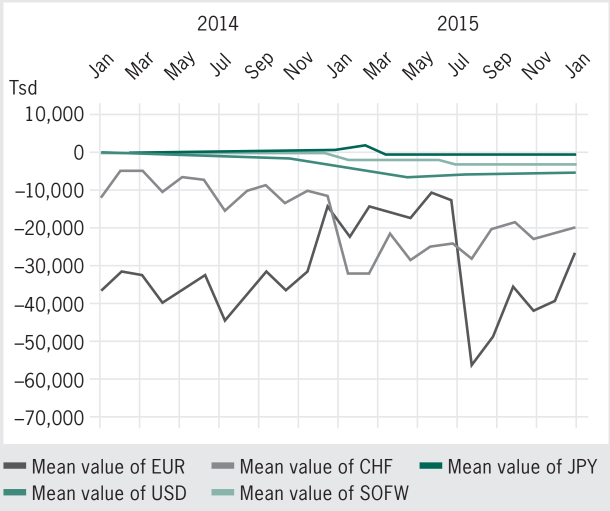


in '000 EUR 2014	Mean value of VaR-total	Mean value of VaR-interest	Mean value of VaR-FX	Mean value of VaR-equity	Mean value of VaR-credit spreads
Jan	4,664	4,297	688	239	1,239
Feb	5,157	4,883	692	228	1,368
Mar	5,649	5,489	602	192	1,295
Apr	7,021	6,888	434	200	1,244
May	8,143	8,027	386	188	1,247
Jun	8,712	8,443	405	186	1,228
Jul	9,052	8,773	536	213	1,244
Aug	9,620	9,288	520	215	1,147
Sep	9,435	9,101	537	228	1,036
Oct	8,479	8,206	544	188	1,053
Nov	8,944	8,693	513	121	997
Dec	9,150	8,868	548	102	936

in '000 EUR 2015	Mean value of VaR-total	Mean value of VaR-interest	Mean value of VaR-FX	Mean value of VaR-equity	Mean value of VaR-credit spreads
Jun	15,210	14,991	2,625	387	1,303
Jul	15,672	15,151	3,445	391	1,357
Aug	14,748	14,284	3,372	395	1,357
Sep	14,078	13,221	3,658	475	1,429
Oct	15,267	13,876	4,097	474	1,529
Nov	17,175	16,908	3,949	531	1,214
Dec	15,892	14,748	3,399	579	1,108

The change in prevent value resulting from a 200 basis point shift in yield curves developed as follows over the past two years.

Development of present value loss due to 200 basis point shift



(64) CREDIT RISK

The Bank's medium-term credit risk objectives and policies are set down in writing in the risk strategy. The analysis factors in the overall bank strategy, business policy requirements, risk adequacy and lending risks. This results in specific, medium-term objectives regarding the portfolio structure and clear limits for all relevant risks (large exposures, foreign currency components, etc.).

The principles of risk behaviour in the lending business are:

- Each borrower's credit standing must be checked and a rating assigned to each corporate customer and business partner in the treasury.
- All credit decisions are subject to the dual-control principle. Apart from a few exceptions, the second opinion on the decision must be given by Back Office.
- The Bank wants to prevent cluster risks in its portfolio.
- The Bank wants to price loans according to credit rating.
- The Bank attempts to obtain higher collateral for low rating classes.
- The currency risk for loans in foreign currency must be minimised with higher collateral, especially in the case of low credit ratings.
- The Bank manages the credit portfolio on overall bank level by diversifying and avoiding cluster risks and implementing measures to prevent major losses.

The Bank calculates the expected loss (EL) for its entire credit portfolio. The Bank has programmed its own solution based on the Capital Requirements Directive and Basel III IRB approach to calculate economic capital or unexpected loss (UL).

The Bank wants to limit lending in countries where systemic or transfer risk cannot be ruled out. For this purpose, the Managing Board sets country limits that are monitored continuously and regularly reported to the Managing Board. The customer group 'banks' is assigned separate volume limits. Banks are important business partners in money market and derivative trading, for example, to whom high-volume and sometimes very short-term loans are extended. These limits are also monitored and reported to the Managing Board on a regular basis. High limits and line utilisation are reported to the Supervisory Board once a year.

Various rating modules specifically configured for the different customer groups are employed in the corporate customer business to measure factors relevant to credit ratings in the different customer segments. These systems meet the Basel III requirements for internal rating systems and the requirements of the FMA's Minimum Standards for the Credit Business (FMA-MSK) for risk classification systems. As a result, borrowers are rated on a 25-level scale (1a to 5e), the last five ratings (5a to 5e) being default levels. The individual ratings are linked to estimated one-year default probabilities. Ratings 1a to 2e denote excellent to very good credit ratings, ratings 3a to 3e stand for medium credit ratings, and ratings 4a to 4e indicate increased default risk. The treasury generally has access to external ratings. If no external ratings are available for a business partner, the Back Office produces an internal rating. External ratings are allocated to the internal rating scale. Rating class 1 is only envisaged for business partners with a very good external rating from a rating agency.
Credit decisions are made according to the dual-control principle. Policies are in place for each area to govern rating and volume authorisations for Front Office and Back Office. A second opinion on the decision is usually required from Back Office.

The Bank uses the Basel III definition of default to determine default events. All rating tools feature functions for recording default events. If a default event occurs, the customer in question is assigned a default rating (rating class 5). The Bank uses an early-warning event recovery system to clearly identify payments that are 90 days in arrears. The system initiates a standardised workflow that compels Front Office and Back Office to address cases of late payment. If a case is not resolved within 90 days, it is normally transferred to Central Credit Management (restructuring).

The Bank fully addresses specific banking risks through conservative credit approval policies, strict valuation rules for loans and advances and prudent recognition of specific valuation allowances. Specific valuation allowances are recognised for credit risks in connection with loans and advances to customers and banks in accordance with uniform Group criteria. Loan loss provisions are recognised on the basis of estimates regarding the amount of future credit losses and interest rebates. A loan is to be recognised as impaired when it is likely based on observable criteria that not all interest and repayment obligations will be met in accordance with the contract. The impairment amount equates to the difference between the carrying amount of the loan and the present value of estimated future cash flows including recoverable, discounted collateral. The total amount of loan loss provisions relating to balance sheet receivables is openly deducted from loans and advances to banks and customers. In contrast, loan loss provisions for off-balance sheet items (guarantees, endorsement liabilities, credit commitments) are shown as credit risk provisions. Non-collectable receivables are written down directly. Recoveries on loans previously written down are recognised through profit or loss.

The subsidiaries generally use the same rating tools as the parent company. This provides for uniform credit ratings Group-wide.

The total exposure includes balance sheet receivables but also contingent liabilities such as open commitments or warranties.

Segments broken down by rating (maximum default risk)

in '000 EUR 31.12.2014		Rating-class 1	Rating-class 2	Rating-class 3	Rating-class 4	Rating-class 5	Unrated	Total
Exposure	Corporate Customers	964,289	2,239,018	4,009,944	276,755	180,692	78,815	7,749,513
	Private Customers	103,115	721,931	1,129,523	45,893	41,603	38,703	2,080,768
	Financial Markets	3,739,050	1,025,229	106,089	33,527	30,263	107,501	5,041,659
	Corporate Center	41,228	378,749	768,198	102,519	171,110	241,935	1,703,739
Total exposure		**4,847,682**	**4,364,927**	**6,013,754**	**458,694**	**423,668**	**466,954**	**16,575,679**

in '000 EUR 31.12.2015		Rating-class 1	Rating-class 2	Rating-class 3	Rating-class 4	Rating-class 5	Unrated	Total
Exposure	Corporate Customers	771,207	1,829,821	4,013,499	244,500	194,955	23,124	7,077,106
	Private Customers	2,854	768,492	1,205,596	41,666	31,677	34,211	2,084,496
	Financial Markets	3,595,345	765,269	138,173	30,586	30,233	73,247	4,632,853
	Corporate Center	118,279	550,151	1,113,501	139,567	307,583	249,559	2,478,640
Total exposure		**4,487,685**	**3,913,733**	**6,470,769**	**456,319**	**564,448**	**380,141**	**16,273,095**

Regions broken down by rating (maximum default risk)

in '000 EUR 31.12.2014	Rating-class 1	Rating-class 2	Rating-class 3	Rating-class 4	Rating-class 5	Unrated	Total
Austria	2,606,052	2,639,123	4,001,787	244,436	212,609	338,067	10,042,074
Italy	9,906	226,436	624,484	109,991	135,188	35,651	1,141,656
Germany	396,728	669,832	835,215	31,878	32,212	17,577	1,983,442
Switzerland and Liechtenstein	56,723	251,221	378,496	41,505	11,335	65,710	804,990
Other foreign countries	1,778,273	578,315	173,772	30,884	32,324	9,949	2,603,517
Total exposure	**4,847,682**	**4,364,927**	**6,013,754**	**458,694**	**423,668**	**466,954**	**16,575,679**

in '000 EUR 31.12.2015	Rating-class 1	Rating-class 2	Rating-class 3	Rating-class 4	Rating-class 5	Unrated	Total
Austria	2,481,260	2,368,150	4,311,718	262,751	376,206	349,959	10,150,044
Italy	9,234	216,605	587,538	113,912	132,191	16,596	1,076,076
Germany	268,933	537,032	856,809	21,076	41,589	278	1,725,717
Switzerland and Liechtenstein	220,664	245,849	523,288	32,744	13,176	10,460	1,046,181
Other foreign countries	1,507,594	546,097	191,416	25,836	1,286	2,848	2,275,077
Total exposure	**4,487,685**	**3,913,733**	**6,470,769**	**456,319**	**564,448**	**380,141**	**16,273,095**

The Group reports a concentration risk in Italy. In recent years, the property market in Italy has been characterised by falling prices. The Group conducts leasing business only in Northern Italy, where the situation, in relative terms, is better than in the rest of the country.

Besides Italy, the Group reports significant exposure in no other PIIGS state (Portugal, Ireland, Greece, Spain).

Industries (maximum default risk)

in '000 EUR	31.12.2015	31.12.2014
Financial intermediaries	3,547,211	3,925,726
Consumers/private customers	2,213,519	2,120,542
Public sector	2,190,951	2,189,312
Real estate	2,055,586	2,114,936
Services	1,690,154	1,505,255
Trading	973,736	1,090,500
Metals/machinery	375,327	409,420
Construction	463,583	438,302
Transport/communications	397,398	370,305
Tourism	556,638	528,189
Water and energy utilities	272,787	349,914
Other goods	177,121	75,446
Vehicle construction	154,901	149,719
Petroleum, plastics	98,578	108,524
Other industries	1,105,605	1,199,589
Total	**16,273,095**	**16,575,679**

Exposure in rating class 5

in '000 EUR		31.12.2015	31.12.2014
Corporate Customers	Exposure	194,955	180,692
	Value adjustments	71,484	65,710
Private Customers	Exposure	31,677	41,603
	Value adjustments	11,836	15,900
Financial Markets	Exposure	30,233	30,263
	Value adjustments	15,039	12,015
Corporate Center	Exposure	307,583	171,110
	Value adjustments	47,049	33,898
Total Exposure		**564,448**	**423,668**
Total Value adjustments		**145,408**	**127,523**

Non-performing loans
The Bank designates loans in the regulatory asset class of loans in arrears as non-performing loans. These amounted to EUR 565,108,000 as at 31 December 2015 (2014: EUR 427,054,000), accounting for 3.47 % (2014: 2.58 %) of the maximum default risk.

Collateral
A uniform and comprehensible collateral measurement policy governs the measurement and acceptance of collateral. During the terms of loans, the collateral is monitored on a regular basis to ensure that it retains value. Collateral is usually measured by the Back Office, or above a certain size by a body independent of the lending process.

The most important type of collateral is real estate. Valuations are reviewed regularly. The fulfilment of operating conditions for the eligibility of such collateral for capital backing is guaranteed. Loans above EUR 3,000,000 are remeasured by independent specialists after three years at the most. The Hypo Immobilien & Leasing Group operates as a service provider in this business to ensure uniform, independent valuation.

Personal collateral is only counted when the guarantor or liable party has an excellent credit rating. These are usually public bodies or banks. Discounts are applied to the current market value of financial collateral to account for unexpected fluctuations. In addition, such collateral must be sufficiently liquid to guarantee that it can be realised.

Other collateral is only accepted if it is recoverable and legally enforceable in every respect. The Hypo Immobilien & Leasing Group handles the liquidation of defaulted loans and advances backed by mortgages. In the reporting period, the Hypo Immobilien & Leasing Group acquired three properties (2014: none) at a total of EUR 3,050,000; one of the properties was sold on during the reporting year.

Depending on the market situation, it may not be easy to convert the acquired properties into cash. Following acquisition, the Hypo Immobilien & Leasing Group analyses whether a sale or a long-term let would be more advantageous. In the event of a sales strategy, an attempt will be made to implement the sale as quickly as possible, taking the proceeds into account. In the event of a letting strategy, the property will be permanently classified as investment property in the Group.

As a result of restructuring measures, an exposure of EUR 975,000 was rated as healthy in 2015 (2014: EUR 7,315,000). Loan loss provisions of EUR 217,000 were reversed in 2015 (2014: EUR 1,839,000).

Past due but non-impaired receivables

Length of time overdue	31.12.2015 Exposure in '000 EUR	31.12.2014 Exposure in '000 EUR
Less than 1 day	15,543,694	15,974,683
1 to 60 days	156,541	165,647
61 to 90 days	2,795	10,545
More than 90 days	5,617	1,136
Total	**15,708,647**	**16,152,011**

Problem customers are managed by departments specialising in problem loan processing. They are immediately transferred to these departments following defined early warning indicators such as the dunning level, default of 90 days, rating, insolvency, coercive measures by third parties or out-of-court settlements. This ensures that problem loans are managed promptly by specialists using defined, standardised processes.

Various strategies and suitable restructuring measures are applied to exposures in problem loan processing. Close monitoring ensures compliance with the restructuring or realisation strategies resolved. The aim is to restore financial health to the customer and return it to the front-office area.

The following are examples of financial measures taken as part of customer restructuring/reorganisation:

- Instalment agreements:
  Credit instalment arrears or overdrafts are restructured in separate repayment agreements.
- Restructuring of existing credits/loans:
  Financing without matching maturities or liquidity squeezes that arise are remedied by restructuring the financing, provided this is economically feasible and makes good business sense.
- Acceptance of temporary overdrafts, provided that the reason for the overdraft and the manner and date of settlement are reasonable/foreseeable.
- Restructuring/granting of new credit:
  If there is a positive going concern forecast, financial monitoring may also be provided for the restructuring process of a company in crisis, with the aim of restoring it to financial health on a sustainable basis.
- Capital waiver, change in collateral positions or assignment of a restructuring interest rate at less than the market rate are further restructuring options.

Additionally, the customer is supported with performance-related measures wherever possible in order to remedy the crisis situation. The following table shows the volume of loans and advances for which agreements were made with the customer regarding concessions (forbearance measures) in order to restructure or rehabilitate the customer because of financial difficulties.

Loans and advances with forbearance measures

in '000 EUR	31.12.2015	31.12.2014
Non-financial companies	35,801	9,634
Private households	2,148	1,192
Loans and advances with forbearance measures on performing loans	**37,949**	**10,826**
Financial intermediaries	4,877	4,538
Non-financial companies	230,800	268,945
Private households	15,641	16,312
Loans and advances with forbearance measures on non-performing loans	**251,318**	**289,795**
Total loans and advances with forbearance measures	**289,267**	**300,621**

(65) LIQUIDITY RISK

Liquidity risk management is conducted to ensure the Bank's ability to pay its obligations at all times (operating liquidity) and simultaneously minimise costs associated with holding cash. The Bank monitors its liquidity buffer on an ongoing basis. This includes instruments and markets available for refinancing and assets that are convertible into cash (tactical liquidity management). As part of strategic liquidity management, the Bank manages the maturities of its assets and liabilities and defines a corresponding issuance strategy. Monitoring involves gap analyses and forecasting the issue volume required for the calendar year. The Bank tries to identify potential risks by carrying out regular stress tests. Contingency plans are in place to ensure the Bank's continued solvency in the event of a liquidity crisis.

The Bank employs the following control instruments to identify and contain liquidity risks:

Operational
- Limiting weekly liquidity gaps on the money market
- Ratios of amounts payable and receivable within three months

Strategic
- Limiting cumulative annual liquidity gaps on the capital market
- Forecasting the issue volume required for the calendar year
- Liquidity value at risk

Stress tests
- Liquidity needs versus buffer in crisis situation

The Bank is aware of the key significance of the capital market for funding. The Bank actively manages the maturities of its loans with respect to the discontinuation of the state guarantee. Relationships with investors are established and maintained through regular road shows. The Bank aims for a diverse issuance policy with regard to instruments and investors.

The Bank's liquidity buffer is large enough at all times to accommodate the utilisation of credit commitments (call risk) and ensure that expected payments not received (time risk) do not compromise solvency. In addition, the Bank currently hardly utilises the OeNB's or ECB's marginal lending facility, the SNB repo system and the money market. The Bank participated in the ECB's long-term tenders. Therefore, there is sufficient available liquidity at all times to prevent bottlenecks in the event of a crisis.

Hypo Landesbank Vorarlberg complied in full with the liquidity regulations outlined in the Austrian Banking Act (BWG) and the CRR. There are no other cash flow risks for the Bank besides the risks described here.

The information in the tables on development of maturities on the money and capital markets relate to financial instruments. The expected cash flows are as follows: The disclosures in the derivatives column relate to Notes (18 to 19) and (34 to 35). The disclosures in the assets column relate to Notes (15 to 17) and (20 to 22). The disclosures in the equity and liabilities column relate to Notes (31 to 33) and (36 to 41). The money market table shows all maturities within the next 12 months. The capital market table shows all maturities after the next 12 months.

Maturity profile money market

in '000 EUR	Assets		Liabilities		
31.12.2014	**Assets**	**Derivates**	**Liabilities**	**Derivates**	**Total**
January 2015	1,094,174	625,886	–722,615	–626,827	370,618
February 2015	163,870	34,796	–172,090	–26,862	–286
March 2015	330,765	363,499	–183,728	–347,068	163,468
April 2015	162,321	30,582	–151,864	–25,199	15,840
May 2015	118,050	39,071	–205,455	–32,189	–80,523
June 2015	243,613	90,649	–320,243	–95,439	–81,420
July 2015	200,052	24,924	–200,441	–16,542	7,993
August 2015	95,301	132,750	–171,774	–119,980	–63,703
September 2015	211,944	37,614	–157,659	–26,658	65,241
October 2015	144,437	13,222	–164,006	–14,224	–20,571
November 2015	125,436	36,946	–440,232	–26,356	–304,206
December 2015	284,090	19,334	–172,435	–22,776	108,213

Maturity profile money market

in '000 EUR	Assets		Liabilities		
31.12.2015	**Assets**	**Derivates**	**Liabilities**	**Derivates**	**Total**
January 2016	1,271,377	289,421	–704,164	–290,484	566,150
February 2016	215,579	278,671	–575,709	–198,958	–280,417
March 2016	292,720	165,920	–203,931	–154,382	100,327
April 2016	100,472	36,102	–178,146	–28,916	–70,488
May 2016	116,338	24,228	–202,622	–16,887	–78,943
June 2016	184,166	14,045	–321,511	–19,946	–143,246
July 2016	394,535	18,657	–494,657	–13,049	–94,514
August 2016	156,595	53,792	–180,280	–34,836	–4,729
September 2016	138,632	39,320	–170,298	–24,914	–17,260
October 2016	94,736	21,867	–168,065	–21,145	–72,607
November 2016	96,094	25,031	–155,929	–21,030	–55,834
December 2016	77,859	62,251	–166,689	–60,714	–87,293

Development of maturities on the capital market

in '000 EUR	Assets		Liabilities		
31.12.2014	**Assets**	**Derivates**	**Liabilities**	**Derivates**	**Total**
2015	3,174,055	1,449,272	–3,089,176	–1,380,119	154,032
2016	1,531,298	462,260	–2,021,667	–345,944	–374,053
2017	1,392,274	361,026	–3,083,246	–294,051	–1,623,997
2018	993,711	111,895	–1,060,660	–96,380	–51,434
2019	993,504	283,891	–1,243,288	–288,047	–253,940
2020	925,782	320,700	–921,720	–319,194	5,568
2021	774,302	53,591	–219,539	–53,263	555,091
2022	757,477	56,844	–242,884	–57,201	514,236
2023	660,057	49,506	–94,090	–51,553	563,920
2024	642,786	130,934	–138,897	–137,640	497,183
2025	410,159	32,178	–17,983	–31,848	392,506
2026	388,541	35,481	–83,955	–34,724	305,343

Development of maturities on the capital market

in '000 EUR	Assets		Liabilities		
31.12.2015	**Assets**	**Derivates**	**Liabilities**	**Derivates**	**Total**
2016	3,268,696	969,342	–3,555,770	–832,367	–150,099
2017	1,512,103	373,204	–3,517,021	–287,977	–1,919,691
2018	1,113,204	108,132	–1,247,565	–86,699	–112,928
2019	1,073,272	290,654	–1,329,986	–303,575	–269,635
2020	1,047,302	317,380	–964,920	–331,921	67,841
2021	863,095	70,254	–342,058	–71,040	520,251
2022	835,207	66,859	–242,949	–69,266	589,851
2023	693,595	59,178	–99,701	–64,344	588,728
2024	718,435	181,119	–144,556	–195,866	559,132
2025	687,543	257,842	–689,802	–256,142	–559
2026	402,271	34,676	–53,781	–36,290	346,876
2027	348,328	31,630	–39,559	–33,171	307,228

(66) OPERATING RISK

Operating risks are minimised in the Bank in all divisions through the clear distribution of responsibilities and written procedural instructions. The Bank has written emergency plans in place, and a crisis management manual is made available to all employees. Employees receive regular training to prepare them for crisis events of all kinds. The Bank has critically studied all internal processes multiple times as part of functional analyses.

Loss events at the Bank are recorded in a loss event database. In this database, operating loss events are assigned to different categories. Quality assurance is performed by Operational Risk Managers who review each loss event. For example, the recording of loss events is guaranteed because it is a requirement a necessary entry. The database is analysed for the quarterly OR report.

The Bank places great emphasis on data protection and security measures and conducts a large number of controls and monitoring processes to ensure that entrusted data remains confidential. Internal Audit conducts both regular and unannounced audits to ensure adherence to procedural instructions.

Material transactions and decisions are made exclusively in accordance with the dual-control principle. Well-trained and conscientious employees are of great importance to the Bank. The internal Legal Department designs contracts carefully in consultation with specialist lawyers and university professors to minimise legal risks.

(67) CONSOLIDATED CAPITAL AND REGULATORY CAPITAL REQUIREMENTS

Capital management
The Group's capital management objectives and requirements include:

- Compliance with the regulatory capital requirements of CRR
- Maintaining a going concern
- Managing shareholder distributions
- Maintaining a solid capital base for expansion

Capital adequacy is continuously monitored in accordance with CRR. These data are calculated every month and reported individually and at the level of Vorarlberger Landesbank-Holding to Oesterreichische Nationalbank on a quarterly basis. In 2015, CRR requires institutions to comply with a Common Equity Tier 1 capital ratio of 4.50 %, a Tier 1 capital ratio of 6.00 % and a solvency ratio of 8.00 %. The Bank met the regulatory capital requirements both in the year under review and the previous year.

The amount of regulatory capital held by the Bank Group is determined by Central Accounting and consists of three tiers.

Common Equity Tier 1 capital – CET1
This includes the eligible and paid-in capital instruments, share premium accounts related to these instruments, retained earnings, eligible profit/loss for the year, accumulated other comprehensive income, and other reserves. CRR provides appropriate transitional regulations for the period from 2014 to 2021. In addition, CRR provides for deductions, such as intangible assets, deferred tax assets, measurement effects due to the institution's own credit risk, and Common Equity Tier 1 instruments offinancial sector entities that exceed certain thresholds.

Additional Tier 1 capital – AT1
This includes the eligible and paid-in capital instruments and share premium accounts related to these instruments. CRR also provides appropriate transitional regulations for the period from 2014 to 2021 for these instruments. In addition, deductions are also included in CRR for these items.

Tier 1 capital is the total of Common Equity Tier 1 capital and Additional Tier 1 capital.

Tier 2 capital – T2
This includes the eligible Tier 2 bonds and subordinated loans and share premium accounts related to these instruments. There are transitional regulations for the period from 2014 to 2021 for subordinated and Tier 2 capital already issued that does not meet the requires of Article 63 CRR. Tier 2 instruments in the last five years of their terms are only eligible to a certain extent. Tier 2 instruments of financial sector entities that exceed certain thresholds are also deductible here.

The sum of Tier 1 and Tier 2 capital gives the attributable capital resources. The tables below show the capital requirements for Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft pursuant to CRR and the breakdown of the Bank Group's capital as at 31 December 2014 and 31 December 2015.

Pillar 2 of Basel III requires banks additionally to demonstrate their capital adequacy on the basis of internal models. This is to ensure in particular that risks are considered which receive no capital requirements under Pillar 1. Such risks include interest rate risk in the banking book. The Bank employs the Internal Capital Adequacy Assessment Process (ICAAP) to identify, quantify, aggregate and monitor all major risks. The Bank calculates economic capital requirements for each of these risks. The Bank allocates a capital buffer if economic capital requirements cannot be calculated. The available risk coverage potential is distributed across organisational units and risk types in annual planning.

By using the Capital Adequacy Process, the Bank ensures that risk limits are complied with and that risks taken are covered by existing coverage potential. The Bank applies a confidence level of 99.95 % and a holding period of one year in the Capital Adequacy Process. Correlations between individual risk types are not taken into consideration. The Capital Adequacy Process calculation is performed monthly.

The Bank's credit risk calculation of economic capital is based on the Basel III IRB approach. With this approach, the consumption of economic capital depends on the volume, collateral and rating of the debtor. Value at risk is employed in the ICAAP for the management of market risk. The VaR limit defines the maximum loss the Bank is prepared to absorb under normal market conditions. The Managing Board defines the global VaR limit on an annual basis. In addition, limits are defined for various yield curves, currency pairs or equity position risks.

The Bank calculates economic capital for operational risk using the Pillar 1 basic indicator approach. This value is further increased for ICAAP to reflect the stricter requirements than those imposed by regulatory provisions. To quantify structural liquidity risk, Hypo Landesbank Vorarlberg calculates liquidity VaR based on the ICAAP guidelines of the Austria Financial Market Authority/Austrian National Bank. In-house methods are used for shareholder risk, real estate risk and foreign currency risk. A capital buffer is recognised for other risks.

Regulatory requirements for 2015 pursuant to CRR

Total risk exposure according to CRR

in '000 EUR	31.12.2015	31.12.2014
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	7,370,274	7,734,032
Total risk exposure amount for settlement/delivery	0	0
Total risk exposure amount for position, foreign exchange and commodities risks	428	447
Total risk exposure amount for operational risk	419,047	423,834
Total risk exposure amount for credit valuation adjustment	43,232	67,946
Total risk exposure amount	**7,832,981**	**8,226,259**

Common Equity Tier 1 capital (CET1) according to CRR

in '000 EUR	31.12.2015	31.12.2014
Capital instruments eligible as CET1 Capital	184,327	184,327
Retained earnings	572,411	513,915
Accumulated other comprehensive income	7,160	13,623
Other reserves	129,024	129,050
Transitional adjustments due to grandfathered CET1 Capital instruments	21,000	24,000
Minority interest given recognition in CET1 capital	14	14
Transitional adjustments due to additional minority interests	27	35
Adjustments to CET1 due to prudential filters	–18,159	–4,289
Intangible assets	–785	–1,235
Excess of deduction from AT1 items over AT1 Capital	–469	–2,092
CET1 instruments of financial sector entites where the institution does not have a significant investment	0	–639
Other transitional adjustments to CET1 Capital	–19,702	–48,896
Common Equity Tier 1 capital (CET1)	**874,848**	**807,813**

Additional Tier 1 capital (AT1) according to CRR

in '000 EUR	31.12.2015	31.12.2014
Capital instruments eligible as AT1 capital	0	0
Instruments issued by subsidiaries that are given recognition in AT1 capital	5	5
Transitional adjustments due to additional recognition in AT1 capital of instruments issued by subsidiaries	–3	–4
AT1 instruments of financial sector entities where the institution does not have a significant investment	0	–84
Other transitional adjustments to AT1 capital	–471	–2,009
Excess of deduction from AT1 items over AT1 capital (deducted in CET1)	469	2,092
Additional Tier 1 capital (AT1)	**0**	**0**

Tier 2 capital (T2)

in '000 EUR	31.12.2015	31.12.2014
Capital instruments and subordinated loans eligible as T2 capital	289,907	285,194
Instruments issued by subsidiaries that are given recognition in T2 capital	6	9
Transitional adjustments due to additional recognition in T2 capital of instruments issued by subsidiaries	–3	–8
T2 instruments of financial sector entities where the institution does not have a significant investment	0	–2,238
Other transitional adjustments to T2 capital	0	703
Tier 2 capital (T2)	**289,910**	**283,660**

Composition of capital resources according to CRR and capital ratios

in '000 EUR	31.12.2015	31.12.2014
Common Equity Tier 1 capital (CET1)	874,848	807,813
Additional Tier 1 capital (AT1)	0	0
Tier 1 capital	**874,848**	**807,813**
Tier 2 capital (T2)	289,910	283,660
Own funds	**1,164,758**	**1,091,473**
CET1 Capital ratio (CET1)	11.17 %	9.82 %
Surplus of CET1 capital	522,364	478,762
T1 Capital ratio (T1)	11.17 %	9.82 %
Surplus of T1 capital	404,870	355,369
Total capital ratio	14.87 %	13.27 %
Surplus of total capital	538,120	433,372

H. DISCLOSURES PERTAINING TO AUSTRIAN LAW

(68) AUSTRIAN LAW

In line with Section 59a Austrian Banking Act in conjunction with Section 245a (1) Austrian Corporate Code (UGB), the consolidated financial statements were prepared in accordance with International Financial Reporting Standards applicable in the EU. In line with Section 59a Austrian Banking Act, the disclosures per Section 64 (1) No. 1–19 and (2) Austrian Banking Act and Section 245a (1) and (3) UGB are to be incorporated in the Notes to the consolidated financial statements.

(69) ADDITIONAL DISCLOSURES IN LINE WITH THE AUSTRIAN BANKING ACT

The disclosure pursuant to Section 64 (1) No. 1 BWG on participation in the leasing business can be read in Note (17).

The disclosure pursuant to Section 64 (1) No. 2 BWG on total assets and liabilities in foreign currencies can be read in Note (43).

The disclosure pursuant to Section 64 (1) No. 3 BWG on forward transactions not yet settled on the reporting date can be read in Notes (19 and 35).

The disclosure pursuant to Section 64 (1) No. 4 BWG on residual terms of loans and advances to banks and customers of liabilities to banks and customers can be read in Note (44).

The balance sheet items “Financial liabilities – at fair value” and “Supplementary capital (LAC)” include subordinated liabilities. The following table provides details in accordance with Section 64 (1) No. 5 to 6 BWG.

in ’000 EUR	Total number		Carrying value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) – LAFV	11	9	58,417	60,737
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) – LAC	16	14	369,811	327,415
	Average interest		Average remaining term	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) – LAFV	3.373	3.624	7.2	10.1
Tier 2 capital according to Part Two Title I Chapter 4 (EU Reg. 575/2013) – LAC	2.056	1.824	4.0	4.6

The following subordinated liabilities exceed 10 % of the total amount of the above subordinated liabilities. The conditions of these issues in accordance with Section 64 No. 5 BWG are also given.

- Subordinated bond ISIN XS0267498912, EUR 100,000,000, interest rate 3M Euribor +10 bp, currently 0.182 %, term 2006 to 2017, no call or conversion option, repaid at end of term at rate of 100.
- Subordinated bond ISIN AT0000A0XB21, EUR 100,000,000, fixed interest rate 5 %, term 2012 to 2022, no call or conversion option, repaid at end of term at nominal value.
- Subordinated bond ISIN AT0000A1GTF4, EUR 50,000,000, fixed interest rate 4.5 %, term 2015 to 2025, no call or conversion option, repaid at end of term at nominal value.

In 2016, bonds and other fixed-income securities in accordance with Section 64 (1) No. 7 BWG totalling EUR 827,925,000 (2015: EUR 711,618,000) and issued bonds totalling EUR 889,270,000 (2015: EUR 574,812,000) will fall due for repayment.

The disclosure pursuant to Section 64 (1) No. 8 BWG on assets provided as collateral can be read in Note (48).

The disclosure pursuant to Section 64 (1) No. 9 BWG is not made in terms of geographical markets, as these do not differ materially from the location of the Bank’s organisation.

The disclosure pursuant to Section 64 (1) No. 12 BWG is already made in the individual Notes of the consolidated financial statements where the amounts are significant.

The interest expense for subordinated liabilities according to Section 64 (1) No. 13 BWG was EUR 7,891,000 in 2015 (2014: EUR 8,262,000).

The disclosure pursuant to Section 64 (1) No. 15 BWG can be read in Note (71). The Bank maintains a small trading portfolio per Article 94 CRR with a focus on customer service. As of 31 December 2015, the trading portfolio includes investment funds of EUR 675,000 (2014: EUR 686,000).

The disclosure pursuant to Section 64 (1) No. 16 and No. 17 BWG on the breakdown of core capital, supplementary capital and consolidated capital can be read in Notes (42 and 67).

The financial information and key figures for each country of establishment pursuant to Section 64 (1) No. 18 BWG are disclosed in extract form in the following table.

in '000 EUR 2014	Austria	Switzerland	Italy	Hungary	Czech Republic
Net interest income	161,346	4,174	11,015	616	263
Net fee and commission income	35,238	809	–142	–197	–84
Net result on hedge accounting	646	0	0	0	0
Net trading result	30,294	366	–8	–6	–2
Net result from other financial instruments	1,061	0	0	0	0
Administrative expenses	–82,508	–4,625	–4,858	–54	–56
Earnings before taxes	70,583	1,662	–5,910	–5,421	–6,935
Taxes on income	–13,628	–292	1,083	133	–23
Number of full-time equivalent employees	667.70	17.60	37.90	0.00	0.00

in '000 EUR 2015	Austria	Switzerland	Italy	Hungary	Czech Republic
Net interest income	164,276	5,041	13,124	492	528
Net fee and commission income	36,224	730	–142	–157	–89
Net result on hedge accounting	869	0	0	0	0
Net trading result	720	406	21	–1	–126
Net result from other financial instruments	15,571	0	0	0	0
Administrative expenses	–82,283	–5,193	–4,918	–30	–38
Earnings before taxes	115,299	1,000	–8,584	6,038	7,393
Taxes on income	–30,812	–175	2,571	305	–51
Number of full-time equivalent employees	671.70	20.00	37.10	0.00	0.00

Switzerland comprises our branch in St. Gallen. The branch in St. Gallen acts as a universal bank. It focuses on lending, asset management and investment advisory services. It operates in German-speaking Switzerland, especially Eastern Switzerland.

Italy comprises our companies Hypo Vorarlberg Holding (Italy) – G.m.b.H, Hypo Vorarlberg Leasing AG and Hypo Vorarlberg Immo Italia srl. All companies are based in Bolzano. Hypo Vorarlberg Leasing AG conducts property leasing business and occasionally movables leasing business. Hypo Vorarlberg Leasing AG has branches in Como and Treviso. It operates in South Tyrol and Northern Italy. Hypo Vorarlberg Immo Italia srl manages and evaluates the Group's properties in Italy and provides property services for Hypo Vorarlberg Leasing AG and the Group. In addition, Hypo Vorarlberg Immo Italia srl manages and commercialises its own properties. Hypo Vorarlberg Holding (Italy) G.m.b.H. holds the stakes in the two other companies.

Hungary comprises our companies Inprox GY – HIL Kft. and HSL Logisztika Hungary Kft., both based in Budapest. Both companies operate in the property leasing business.

The Czech Republic comprises our companies Inprox Praha Michle – HIL s.r.o. and Inprox Praha Letnany – HIL s.r.o., both based in Prague. Both companies operate in the property leasing business.

The return on total assets in accordance with Section 64 (1) No. 19 BWG is 0.67 % (previous year: 0.29 %).

Hypo Landesbank Vorarlberg has issued a participation certificate, but did not call back or take shares in pledge in 2014 or 2015

(70) AUDITOR'S FEE PER AUSTRIAN CORPORATE CODE ACT

The table below provides a breakdown of fees paid to Ernst & Young, Wirtschaftsprüfungsgesellschaft m.b.H., Wagramer Strasse 19 – IZD-Tower, 1220 Vienna per Section 266 no. 11 UGB.

in '000 EUR	2015	2014
Expenses for auditing the consolidated financial statements	180	175
Expenses for other auditing services	19	48
Expenses for other services	18	9
Total fees	**217**	**232**

(71) DISCLOSURES ON STOCK-EXCHANGE LISTING

A breakdown of securities per Section 64 (1) No. 10 and No. 11 BWG is provided below.

in '000 EUR	Not listed 31.12.2015	Listed 31.12.2015	Not listed 31.12.2014	Listed 31.12.2014	Total 31.12.2015	Total 31.12.2014
Bonds – AFV	91,685	334,782	81,468	470,227	426,467	551,695
Bonds – AFS	15,411	682,897	3,256	656,567	698,308	659,823
Bonds – HTM	4,593	955,424	1,769	1,083,416	960,017	1,085,185
Shares – HFT	614	61	594	92	675	686
Shares – AFV	0	5,191	0	11,464	5,191	11,464
Shares – AFS	16,795	7,000	30,053	8,160	23,795	38,213
Shares – HTM	0	9,994	0	9,985	9,994	9,985
Investments	10,789	0	10,727	0	10,789	10,727
Shares in affiliated companies	28	0	28	0	28	28
Total securities	**139,915**	**1,995,349**	**127,895**	**2,239,911**	**2,135,264**	**2,367,806**
of which non-current assets	126,285	1,995,288	90,193	2,218,228	2,121,573	2,308,421
of which current assets	13,016	0	37,108	21,591	13,016	58,699
of which trading assets	614	61	594	92	675	686

In the interest of improved transparency and informational value of the breakdown of securities, loans and advances to banks and customers were excluded from bonds at fair value.

The difference between cost and the lower repayment amount per Section 56 (2) Austrian Banking Act was EUR 56,291,000 (2014: EUR 54,082,000). The difference between the repayment amount and the lower cost per Section 56 (3) Austrian Banking Act was EUR 8,474,000 (2014: EUR 21,096,000). At 31 December 2015, supplementary capital in the portfolio securities totalled EUR 1,427,000 (2014: EUR 1,085,000).

(72) SUBSIDIARIES AND HOLDINGS NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The following subsidiaries were not included in the consolidated financial statements as they are of minor importance to the informational value of the consolidated financial statements, both when considered individually and when taken together. In most cases, these companies are project companies which do not undertake business operations and are instead responsible for the realisation of individual assets. Hotel Jagdhof Kessler Betriebs GmbH & Co KG based in Riezlern undertakes business operations in the form of a hotel business.

Company name, place in '000 EUR	Percentage of capital	Shareholders' equity	Net result	Total assets	Date of financial statements
HV-Finanzdienstleistungs- und Immobilien GmbH, DE-Kempten	100.00	–15	–7	826	31.12.2015
Hotel Widderstein Besitz & Verwaltungs GmbH, Schröcken	100.00	79	18	79	31.12.2015
"ATZ" Besitz- und VerwaltungsGmbH, Bregenz	100.00	–74	1	970	31.12.2015
Hotel Jagdhof Kessler Betriebs GmbH & Co KG, Riezlern	100.00	264	–92	2,747	31.10.2015
Hotel Jagdhof Kessler BetriebsGmbH, Riezlern	100.00	20	1	22	31.10.2015
Total		**274**	**–79**	**4.644**	

The following holdings over which the Group can exert significant influence are not included in the consolidated financial statements, primarily because inclusion would lead to a disproportionately long delay to the consolidated financial statements and also because reconciliation would involve disproportionately high costs, due to IFRS, without significantly increasing the informational value with regard to the Group's net assets and liabilities, financial condition, and results of operations.

Company name, place **in '000 EUR**	**Percentage of capital**	**Shareholders' equity**	**Net result**	**Total assets**	**Date of financial statements**
"Wirtschafts-Standort Vorarlberg" Betriebsansiedlungs GmbH, Dornbirn	33.33	37	0	371	*31.12.2015
MERAN 2000 Bergbahnen AG, IT-Meran	23.39	10,546	–147	20,740	31.12.2014
CAMPUS Dornbirn II Investment GmbH, Dornbirn	30.00	3,497	215	20,431	31.12.2014

*) Provisional result

Company name, place **in '000 EUR**	**The Group's share in equity**	**The Group's share in**
"Wirtschafts-Standort Vorarlberg" Betriebsansiedlungs GmbH, Dornbirn	12	0
MERAN 2000 Bergbahnen AG, IT-Meran	2,467	–34
CAMPUS Dornbirn II Investment GmbH, Dornbirn	1,049	64
Total	**3,528**	**30**

VI. MANAGING BOARD/SUPERVISORY BOARD

MANAGING BOARD

Michael Grahammer
Chairman of the Managing Board, Dornbirn

Johannes Hefel
Member of the Managing Board, Schwarzach

Michel Haller
Member of the Managing Board, Tettnang

SUPERVISORY BOARD

Jodok Simma
Chairman, Chairman of the Managing Board (retired), Bregenz

Alfred Geismayr
Deputy Chairman, Chartered Accountant, Dornbirn

Friedrich Amann
Entrepreneur (retired), Fraxern

Astrid Bischof
Entrepreneur, Göfis (since 17 September 2015)

Albert Büchele
Entrepreneur, Hard

Karl Fenkart
State official, Lustenau

Michael Horn
Deputy Chairman of the Managing Board Landesbank Baden-Württemberg (LBBW), Weingarten

Christian Konzett
Lawyer, Bludenz (until 20 April 2015)

Karlheinz Rüdisser
Deputy State Governor, Lauterach

Nicolas Stieger
Lawyer, Bregenz

Ulrich Theileis
Member of the Managing Board Landeskreditbank Baden-Württemberg – Förderbank (L-Bank), Ettlingen

Bernhard Egger
Works Council delegate (until 19 May 2015)

Bernhard Köb
Works Council delegate

Elmar Köck
Works Council delegate

Gerhard Köhle
Works Council delegate (since 20 May 2015)

Veronika Moosbrugger
Works Council delegate

Cornelia Vonach
Works Council delegate

VII. SUBSIDIARIES AND HOLDINGS

a) Companies fully consolidated in the consolidated financial statements:

The shareholdings listed in the following table did not change in financial year 2015. The share of voting rights corresponds to the equity interest.

Company name, place	Percentage of capital	Date of financial statements
“Hypo-Rent” Leasing- und Beteiligungsgesellschaft mbH, Bregenz	100.00	31.12.2015
LD-Leasing GmbH, Dornbirn	100.00	31.12.2015
Hypo Vorarlberg Leasing AG, IT-Bolzano	100.00	31.12.2015
Hypo Vorarlberg Holding (Italien) – GmbH, IT-Bolzano	100.00	31.12.2015
Hypo Vorarlberg Immo Italia srl, IT-Bolzano	100.00	31.12.2015
IMMOLEAS Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00	31.12.2015
Hypo Immobilien Besitz GmbH, Dornbirn	100.00	31.12.2015
“Immoleas IV” Leasinggesellschaft m.b.H., Dornbirn	100.00	31.12.2015
Hypo Immobilienleasing Gesellschaft m.b.H., Dornbirn	100.00	31.12.2015
“HERA” Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00	31.12.2015
Hypo Informatikgesellschaft m.b.H., Bregenz	100.00	31.12.2015
Hypo Immobilien Bankgebäudemanagement GmbH, Dornbirn	100.00	31.12.2015
Hypo Versicherungsmakler GmbH, Dornbirn	100.00	31.12.2015
Hypo Immobilien Investment GmbH, Dornbirn	100.00	31.12.2015
Hypo Immobilien & Leasing GmbH, Dornbirn	100.00	31.12.2015
HIL Mobilienleasing GmbH & Co KG, Dornbirn	100.00	31.12.2015
HIL Immobilien GmbH, Dornbirn	100.00	31.12.2015
HIL BETA Mobilienverwaltung GmbH, Dornbirn	100.00	31.12.2015
HIL EPSILON Mobilienleasing GmbH, Dornbirn	100.00	31.12.2015
HIL Baumarkt Triester Straße Immobilienleasing GmbH, Dornbirn	100.00	31.12.2015
HIL Real Estate alpha GmbH, Dornbirn	100.00	31.12.2015
HIL Real Estate International Holding GmbH, Dornbirn	100.00	31.12.2015
"Mongala" Beteiligungsverwaltung GmbH, Dornbirn	100.00	31.12.2015
Inprox Praha Michle – HIL s.r.o., CZ-Prague	100.00	31.12.2015
Inprox Praha Letnany – HIL s.r.o., CZ-Prague	100.00	31.12.2015
Inprox GY – HIL Kft., HU-Budapest	100.00	31.12.2015
HSL Logisztika Hungary Kft., HU-Budapest	100.00	31.12.2015
"HO-IMMOTREU" Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00	31.12.2015
"POSEIDON" Grundstücksverwaltungsgesellschaft m.b.H., Dornbirn	100.00	31.12.2015
Hypo Immobilien Cinemabetriebs GmbH, Dornbirn	100.00	31.12.2015
Edeltraut Lampe GmbH & Co KG, Dornbirn	100.00	31.12.2015
D. TSCHERNE Gesellschaft m.b.H., Vienna	100.00	31.12.2015
"HSL-Lindner" Traktorenleasing GmbH, Dornbirn	76.00	31.12.2015

b) Companies consolidated in the consolidated financial statements according to the equity method:

The shareholdings listed in the following table did not change in financial year 2015. The share of voting rights corresponds to the equity interest.

Company name, place in '000 EUR	Percentage of capital	Share-holders' equity	Total assets	Liabilities	Revenues
HTV KAPPA Immobilienleasing GmbH, Dornbirn	50.00	163	27,817	27,654	285
Silvretta-Center Leasing GmbH, Bregenz	50.00	966	5,504	4,538	501
HYPO EQUITY Unternehmensbeteiligungen AG, Bregenz	43.29	69,744	116,405	46,661	2,777
MASTERINVEST Kapitalanlage GmbH, Vienna	37.50	4,532	8,280	3,748	35
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H., Dornbirn	33.33	240	436	196	1
VKL II Grundverwertungsgesellschaft m.b.H., Dornbirn	33.33	642	648	6	2
VKL III Gebäudeleasing-Gesellschaft m.b.H., Dornbirn	33.33	4,862	4,864	2	20
VKL IV Leasinggesellschaft mbH, Dornbirn	33.33	73	73	0	25
VKL V Immobilien Leasinggesellschaft m.b.H., Dornbirn	33.33	–304	6,370	6,674	35
'Seestadt Bregenz' Besitz- und Verwaltungsgesellschaft mbH, Dornbirn	20.00	1,311	12,142	10,831	16

HTV KAPPA Immobilienleasing GmbH, VKL I (Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H.) – V, Silvretta Center Leasing GmbH and Seestadt Bregenz Besitz- u. Verwaltungsgesellschaften mbH are property companies whose tasks involve either the letting, sale or administration of properties. The business activity of MASTERINVEST Kapitalanlage GmbH involves the management of investment funds in accordance with the Austrian Investment Fund Act. HYPO EQUITY Unternehmensbeteiligungen AG is an SME financing company that invests in start-ups and companies with a strategy and potential for growth.

With the exception of HYPO EQUITY Unternehmensbeteiligungen AG, all companies included in the consolidated financial statements according to the equity method are based on separate financial statements as at 31 December 2015. The financial statements of HYPO EQUITY Unternehmensbeteiligungen AG were prepared as at 30 September 2015 and included in the consolidated financial statements on this basis, as this company's financial year differs from the calendar year. No interim financial statements were prepared because this would mean disproportionately high expenses without materially changing the informational value of the consolidated financial statements.

The revenues shown in the table for 'Seestadt Bregenz' Besitz- und Verwaltungsgesellschaft mbH and Silvretta-Center Leasing GmbH represent rental income, as the purpose of the companies is letting and leasing. For the other companies, net interest income is shown under revenues.

VKL V Immobilien Leasinggesellschaft m.b.H. had negative equity as of 31 December 2015. The portion attributable to our Group amounted to EUR 101,000. This negative amount was recognised in the consolidated financial statements using the equity method.

(73) DISCLOSURES ON NON-CONTROLLING INTERESTS

There are non-controlling interests in “HSL-Lindner” Traktorenleasing GmbH, based in Dornbirn. This company’s financial information is presented in the table below.

in ’000 EUR	31.12.2015	31.12.2014
Assets	2,953	4,277
Financial assets	2,941	4,274
of which current	1,630	2,510
of which non-current	1,311	1,764
Other assets	12	3
Liabilities	2,755	4,033
Financial liabilities	2,653	3,852
of which non-current	2,653	3,852
Other liabilities	102	181
Shareholders’ equity	198	244
of which non-controlling interests	48	59

in ’000 EUR	2015	2014
Net interest income	68	97
Other income	42	152
Other expenses	–40	–136
Earnings before taxes	72	108
Taxes on income	–17	–27
Income after taxes	55	81
of which non-controlling interests	13	19
Dividends/distributions	100	100
of which non-controlling interests	24	24

(74) DISCLOSURES ON MATERIAL JOINT VENTURES AND ASSOCIATES

Financial information on material joint ventures and associates is presented in the tables below. HTV Kappa Immobilienleasing GmbH is the only joint venture.

HYPO EQUITY Unternehmensbeteiligungen AG, Bregenz

in ’000 EUR	30.09.2015	30.09.2014
Assets	116,405	117,348
Financial assets	116,323	115,286
of which current	14,014	23,008
of which non-current	102,309	92,278
Other assets	82	2,062
Liabilities	46,661	47,576
Financial liabilities	41,589	41,558
of which current	34,089	10,558
of which non-current	7,500	31,000
Other liabilities	5,072	6,018
Shareholders’ equity	69,744	69,772

in ’000 EUR	2015	2014
Net interest income	2,777	–1,151
Other income	60	9,448
Other expenses	–1,279	–9,105
Earnings before taxes	1,558	–808
Taxes on income	399	–654
Income after taxes	1,957	–1,462
Dividends/distributionns	1,993	2,989

MASTERINVEST Kapitalanlage GmbH, Vienna

in ’000 EUR	31.12.2015	31.12.2014
Assets	8,280	7,476
Financial assets	5,860	5,061
of which non-current	5,860	5,061
Other assets	2,420	2,415
Liabilities	3,748	3,158
Provisions	134	122
Other liabilities	3,615	3,036
Shareholders’ equity	4,532	4,318

in ’000 EUR	2015	2014
Net interest income	35	49
Other income	544	379
Other expenses	–470	–308
Earnings before taxes	1,060	575
Taxes on income	–446	–152
Income after taxes	614	423
Dividends/distributions	400	400

‘Seestadt Bregenz‘ Besitz- und Verwaltungsgesellschaft m.b.H., Dornbirn

in ’000 EUR	31.12.2015	31.12.2014
Assets	12,142	11,252
Other assets	12,142	11,252
Liabilities	10,831	9,872
Financial liabilities	10,736	9,034
of which non-current	10,736	9,034
Other liabilities	95	838
Shareholders’ equity	1,311	1,380

in ’000 EUR	2015	2014
Net interest income	–305	–294
Other income	320	340
Other expenses	–5	0
Earnings before taxes	–67	–134
Taxes on income	–2	–1
Consolidated net income	–69	–135
Dividends/distributions	0	0

Silvretta-Center Leasing GmbH, Bregenz

in '000 EUR	31.12.2015	31.12.2014
Assets	5,504	5,239
Other assets	5,504	5,239
Liabilities	4,538	4,459
Financial liabilities	4,399	4,400
of which non-current	4,399	4,400
Other liabilities	139	59
Shareholders' equity	966	780

in '000 EUR	2015	2014
Net interest income	–16	–27
Other income	508	494
Other expenses	–194	–206
Earnings before taxes	229	187
Taxes on income	–43	–34
Income after taxes	186	153
Dividends/distributions	0	0

HTV KAPPA Immobilienleasing GmbH

in '000 EUR	31.12.2015	31.12.2014
Assets	27,817	28,025
Financial assets	26,897	27,463
of which non-current	26,897	27,463
Other assets	920	562
Liabilities	27,654	27,868
Financial liabilities	27,387	27,747
of which non-current	27,387	27,747
Other liabilities	267	121
Shareholders' equity	163	157

in '000 EUR	2015	2014
Net interest income	285	292
Other income	35	34
Other expenses	–35	–34
Earnings before taxes	101	103
Taxes on income	–25	–25
Income after taxes	76	78
Dividends/distributions	70	0

Below, Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H, VKL II Grundverwertungsgesellschaft m.b.H., VKL III Gebäudeleasing-Gesellschaft m.b.H., VKL IV Leasinggesellschaft mbH and VKL V Immobilien Leasinggesellschaft m.b.H. are aggregated in the presentation of financial information, because all these companies pursue the same objective, and the shareholder structure and shareholdings in all these companies are identical.

Vorarlberger Kommunalgebäudeleasing Gesellschaften

in '000 EUR	31.12.2015	31.12.2014
Assets	12,391	34,015
Financial assets	2,362	28,657
of which current	1,229	0
of which non-current	1,133	28,657
Other assets	10,029	5,358
Liabilities	6,878	27,939
Financial liabilities	6,866	27,861
of which current	195	8
of which non-current	6,671	27,853
Other liabilities	12	78
Shareholders' equity	5,513	6,076

in '000 EUR	2015	2014
Net interest income	83	254
Other income	122	169
Other expenses	–117	–75
Earnings before taxes	–77	190
Taxes on income	2	–17
Income after taxes	–75	173
Dividends/distributions	489	253

(75) DISCLOSURES ON STRUCTURED AND NON-CONSOLIDATED ENTITIES

Hypo Landesbank Vorarlberg is a member of Pfandbriefstelle der österreichischen Landes- und Hypothekenbanken. As joint issuing institution of the Landes- und Hypothekenbank, Pfandbriefstelle – and from 15 January 2015 its legal successor Pfandbriefbank (Österreich) AG – has the primary task of issuing mortgage bonds, public-sector mortgage bonds and non-funded bonds in trust and providing the funds thus procured to its members. Pfandbriefbank also carries out lending activities and transactions that affect the members collectively.

In addition to Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, the following institutions are members of Pfandbriefstelle:

- HYPO-BANK BURGENLAND Aktiengesellschaft
- Austrian Anadi Bank AG
- HETA ASSET RESOLUTION AG
- HYPO NOE Landesbank AG
- HYPO NOE Gruppe Bank AG
- Oberösterreichische Landesbank Aktiengesellschaft
- SALZBURGER LANDES-HYPOTHEKENBANK AKTIENGESELLSCHAFT
- Landes-Hypothekenbank Steiermark Aktiengesellschaft
- HYPO TIROL BANK AG

Pfandbriefbank is a publicly owned bank. For this reason, there are no shares or ownership structures in Pfandbriefbank. Each member bank delegates a member of the Board of Directors and therefore has one vote. The simple majority of votes cast is required for a valid decision. If votes are tied, the Chairman's vote decides. Decisions on the charter or any change to the charter, the liquidation of Pfandbriefbank and the distribution of the proceeds therefrom require a two-thirds majority of the votes cast. With effect from the start of 2015, Pfandbriefstelle's operations were transferred to Pfandbriefbank (Österreich) AG by way of universal succession according to Section 92 BWG. Pfandbriefstelle is the sole shareholder of Pfandbriefbank.

Since 2004, Pfandbriefbank has been subject to the provisions of the Pfandbriefstelle Act (PfBrStG). According to Section 2 PfBrStG, the members have joint and several liability for the liabilities of Pfandbriefbank and, in conjunction with Section 92 (6) BWG, for the liabilities of Pfandbriefbank. The members' guarantors have joint and several liability for all liabilities of Pfandbriefbank that came into existence before 2 April 2003. For all liabilities incurred after 2 April 2003 and up to 1 April 2007, the guarantors only have joint and several liability if the agreed maturities do not exceed 30 September 2017. The guarantors are no longer liable for liabilities incurred after 1 April 2007. For the liabilities for which guarantors are no longer liable, other liability arrangements can be made between the member banks on a case-by-case basis. However, this only applies if they are disclosed in the issue conditions.

The volume of Pfandbriefbank issues for which the members and their guarantors have joint and several liability was EUR 3,343,912,000 as of 31 December 2015 (2014: EUR 5,538,652,000). EUR 367,839,000 of this (2014: EUR 709,875,000) is attributable to Hypo Landesbank Vorarlberg. Some member banks are liable in the event of default on the basis of state law. This is different from the joint guarantee on the part of the member banks and guarantors for liabilities of Pfandbriefbank. If Pfandbriefbank does not meet its obligations to bondholders, the creditors of Pfandbriefbank can claim the amount due directly from the member banks and/or their creditors on the basis of the statutory joint guarantees. Subsequently, the member banks and/or creditors making the payment can make recourse claims against the other member banks, guarantors and/or Pfandbriefbank subject to certain conditions. Ultimately, all joint creditors making payments can claim recourse from the member bank whose issue is affected. According to the provisions of state law, this recourse claim can also be made against the relevant state as indemnitor.

Recognised liabilities to Pfandbriefbank

in '000 EUR	31.12.2015	31.12.2014
Liabilities evidenced by certificates	241,236	450,561
Financial liabilities – at fair value	126,603	259,314
Liabilities to Pfandbriefbank	**367,839**	**709,875**

Interest expenses from liabilities to Pfandbriefbank

in '000 EUR	31.12.2015	31.12.2014
Interest expenses for liabilities evidenced by certificates	–310	–1,283
Interest expenses for liabilities – at fair value	–1,899	–7,188
Interest expenses from liabilities to Pfandbriefbank	**–2,209**	**–8,471**

As a result of the moratorium for the liabilities of HETA Asset Resolution AG imposed by the financial market authority (FMA), the repayments must be assumed by the member banks and their guarantors due to their liability according the Pfandbriefstelle Act. In total, we expect a liquidity requirement of EUR 155,000,000 for our Group (including our guarantors). EUR 83,966,000 of this had already been paid as of 31 December 2015. A valuation allowance of EUR 20,992,000 was recognised for our share of EUR 41,983,000. A provision of EUR 17,758,000 (2014: EUR 36,000,000) was recognised for our EUR 35,516,000 share of the liquidity commitment of EUR 17,758,000 (2014: EUR 36,000,000) not yet drawn upon. The allocation to the valuation allowance and the reversal of the provision were recognised in the loan loss provisions item under Note (6) and netted out at EUR 2,750,000 in 2015.

MANAGEMENT BOARD DECLARATION

We confirm that to the best of our knowledge the consolidated financial statements prepared in accordance with applicable accounting standards provide a true and fair view of the Group's assets and liabilities, financial condition, and results of operation, and that the Group management report presents business events, business results and the Group's position so as to provide a true and fair view of the Group's assets and liabilities, financial condition, and results of operation, and that the Group management report outlines the principal risks and uncertainties to which the Group is exposed.

We confirm that to the best of our knowledge the parent company's financial statements prepared in accordance with applicable accounting standards provide a true and fair view of the parent company's assets and liabilities, financial condition, and results of operation, and that the management report presents business events, business results and the parent company's position so as to provide a true and fair view of its assets and liabilities, financial condition, and results of operation, and that the management report outlines the principal risks and uncertainties to which the parent company is exposed.

Bregenz, 31 March 2016

Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft

The members of the Managing Board

Michael Grahammer
Chairman of the Managing Board

Johannes Hefel
Member of the Managing Board

Michel Haller
Member of the Managing Board

REPORT OF THE SUPERVISORY BOARD

On an ongoing basis, the Supervisory Board monitors the managerial activities of the Managing Board within the framework established by law, the articles of association and the Supervisory Board rules of procedure. The Supervisory Board convened for seven meetings at which it discussed the Managing Board reports pertaining to important plans, the position and development of the Bank, its subsidiaries and holdings. The Supervisory Board adopted the planning for financial year 2015, taking into consideration the Bank's strategic alignment jointly determined by the Supervisory and Managing Boards, and adopted the necessary resolutions.

Committees

The Audit and Risk Committee of the Supervisory Board held two meetings in 2015 to perform its extended control tasks to monitor the effectiveness of the internal control system, risk management system and Internal Audit. It dealt particularly intensively with financial reporting in the annual and quarterly financial statements.

The Loan Committee of the Supervisory Board met eleven times in the 2015 reporting year. It examined the loans and credits that required its consent. Especially intense it has dealt with the financial reporting in the annual and quarterly financial statements.

The Remuneration and nomination Committee of the Supervisory Board met four times in 2015, dealing with the appropriate implementation of the remuneration requirements stipulated in Section 39b BWG. In its meeting on 23 April 2015, it set the variable remuneration for Managing Board members for 2014.

Corporate Governance Code

The Supervisory Board reviewed and discussed with the Managing Board business events requiring Supervisory Board approval pursuant to laws, the articles of association and/or the rules of procedure, granting approval accordingly. The Supervisory Board employed the Corporate Governance Code as a guideline in its activities.

Audit

The 2015 financial statements and management report were audited by Ernst & Young, Steuerberatungs- und Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, appointed by the annual meeting of shareholders to audit the financial statements and Bank books. As indicated by the unqualified audit opinion given by this company, the financial statements and management report conform to legal requirements. The 2015 consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). They were also audited by Ernst & Young, Steuerberatungs- und Wirtschaftsprüfungsgesellschaft m.b.H., Vienna, and issued with an unqualified audit opinion. The Supervisory Board acknowledged and approved the consolidated financial statements including the Group management report. The Supervisory Board will formally adopt the relevant resolutions when the written audit reports are presented and have been discussed in detail.

Thanks and recognition

The Supervisory Board would like to express its thanks and recognition towards the members of the Managing Board, the managers and above all the employees for their excellent achievements in the financial year 2015.

Bregenz, March 2016

Chairman of the Supervisory Board
Jodok Simma

AUDITOR'S REPORT (TRANSLATION)

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft, Bregenz, for the fiscal year from 1 January 2015 to 31 December 2015. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2015, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended 31 December 2015, and the 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 the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; 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 Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISA), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance 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 reasonable 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 fiscal year from 1 January 2015 to 31 December 2015 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

Without qualifying the audit opinion, we refer to the remarks by the company's Managing Board under Note 55 to the consolidated financial statements "Significant events after the reporting date", where the potential developments in connection with Pfandbriefbank (Österreich) AG and HETA ASSET RESOLUTION AG are described.

Comments on the consolidated Management Report
Pursuant to statutory provisions, the consolidated management report 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 consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243 a (2) UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243 a (2) UGB (Austrian Commercial Code) are appropriate.

Vienna, 5 April 2016

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Andrea Stippl
Certified Auditor

Wolfgang Tobisch
Certified Auditor

BRANCH OFFICES/ SUBSIDIARIES

HEADQUARTERS

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Branch Office Head,
Bregenz Coporate Customers

Rainer Terwart
Key Account Management

Markus Schmid
Head of Corporate Customers
Centre Germany

Bregenz Private Customers Branch Office
Christian Brun
Branch Office Head,
Bregenz Private Customers

Raymond Plankel
Head of Private Customers

Stephan Bohle
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Wealth Management Bregenz Branch Office
Stefan Schmitt
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Christoph Schwaninger
Head of Financial Intermediaries

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Nora Frischherz
Head of Accounting,
Securities Settlement

Klaus Diem
Head of Legal Department

Bernhard Egger
Head of Bookkeeping and Registration

Stefan Germann
Head of Credit Management
Corporate Customers

Florian Gorbach
Head of Treasury

Martin Heinzle
Head of Credit Management
Private Customers

Egon Helbok
Head of Human Resources

Peter Holzer
Head of Controlling

Martha Huster
Ombudsperson

Reinhard Kaindl
Head of Compliance

German Kohler
Head of Corporate and Internal Audit

Sabine Nigsch
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Herbert Nitz
Head of Private Customers

Wilhelm Oberhauser
Head of Logistics

Angelika Rimmele
Head of Marketing

Karl-Heinz Rossmann
Head of Corporate Customers

Roland Rupprechter
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Emmerich Schneider
Head of Participation Administration

Markus Seeger
Head of Group Risk Controlling

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Johann Berchtold, Managing Director
Egon Helbok, Managing Director

Hypo Versicherungsmakler GmbH
Dornbirn, Poststraße 11
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Manfred Bösch, Managing Director and Management Spokesman (until 31 January 2016)
Christoph Brunner, Managing Director

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Global Investment Performance Standards (GIPS®) on page 38:
The centralised portfolio management of Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft having registered offices in Bregenz qualifies as a firm within the meaning of the Global Investment Performance Standards (GIPS®). The firm comprises all asset management mandates of private and institutional customers that are managed in the context of the bank's centralised investment process. It does not include decentralised organisational units and other units of the group that operate independently. The firm is in compliance with the GIPS®. For a list of all composites along with a detailed description, please contact Vorarlberger Landes- und Hypothekenbank Aktiengesellschaft at: T +43 (0) 50 414-1281 or email us at gips@hypovbg.at

For more information on GIPS® please contact us at gips@hypovbg.at

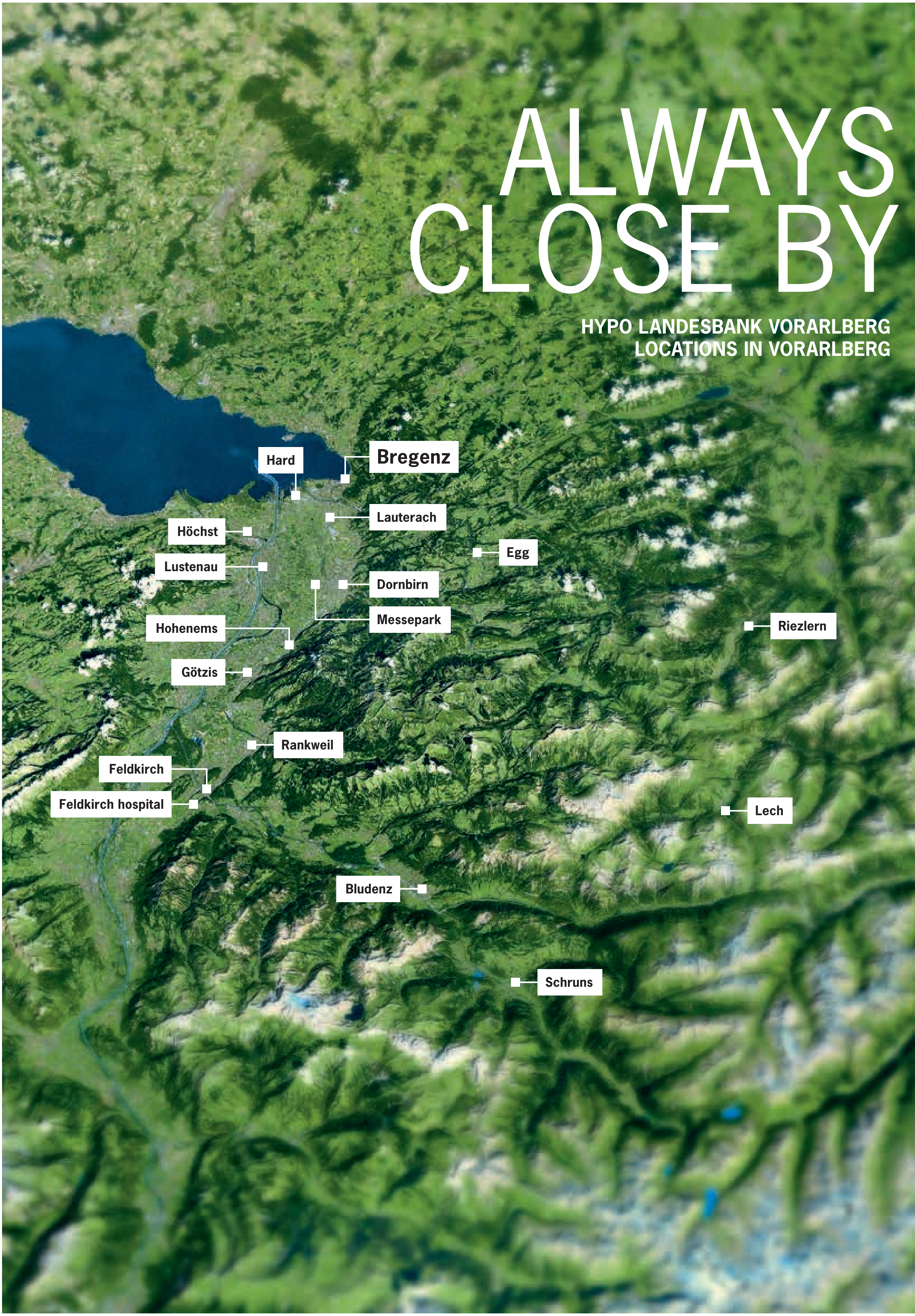
WHERE WE'RE NEEDED

HYPO LANDESBANK VORARLBERG LOCATIONS IN THE ALPINE REGION

Vienna
Wels
Graz
AUSTRIA
Bolzano
ITALY
We have a comprehensive branch network in our heartland of Vorarlberg and locations in important economic regions. Because face-to-face communication with our customers is a matter of course for us.

ALWAYS CLOSE BY

HYPO LANDESBANK VORARLBERG LOCATIONS IN VORARLBERG



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